The Trusted Home of Agriculture
Die Betroubare Tuiste van Landbou

BKB LIMITED AND ITS SUBSIDIARIES

(Registration number 1998/012435/06)

Annual Financial Statements

for the year ended 30 June 2020

Contents

These financial statements have been prepared under the supervision of:
JA van Niekerk
Financial Director

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27 August 2020

Chairman's Report

Looking back, the past twelve months have been a challenging, epic time in the history of the BKB Group. During this time BKB proudly celebrated it's centenary whilst at the same time the group may well have experienced the most difficult year since its formation. As a Group, we have not escaped the fallout from the COVID-19 pandemic which continues to adversely impact society and bedevil economies and businesses throughout the world. Business and trading conditions are extremely challenging, but I am confident that BKB will weather the storm. Immediately after the COVID-19 restrictions were implemented we modified our work practices so as to protect our people and our customers and minimise the spread of the disease. This has had a significant impact on our business as many of our divisions are dependent on our staff visiting and interacting with clients. To counteract the disruption caused by the pandemic we have made the necessary adjustments to our "modus operandi" and also make extensive use of electronic media and communication. We regularly receive reports on the health of our people, particularly those members of our staff who have contracted the virus. Sadly, to date, one of our staff has succumbed to the disease.

At Group level the 2020 financial year has been extremely difficult operationally which, in turn, has had a significant impact on profitability. Profit before tax was R18.8 million (2019: R46.7 million). A number of external factors such as the stagnant global and local economies, the USA/China trade war, the Lesotho ban on exports of wool and mohair and COVID-19 have negatively affected trading conditions for many of our divisions. In addition, the poor results at Fruits du Sud have required that we impair the value of our investment in that company. Late in 2019 the Lesotho ban on exports was lifted allowing wool and mohair to once again flow into our warehouses. This pent up supply has necessitated hiring additional warehouse space to accommodate the abnormal volumes now on hand. The Lesotho situation, together with the confusion in the market in the early part of the season caused by the Chinese ban on wool imports, resulted in an abnormally high stockpile of unsold wool. The poor demand for wool resulting from the impact of COVID-19 on world markets has necessitated careful management of the offerings placed on auction. Excellent cooperation and co-ordination between BKB and buyers has resulted in better aligning offerings with what the market is able to take up at any given point in time.

Disruptions in the market and the weak and tentative demand from China have resulted in a significant decline in the wool price. The Cape Wools Merino Indicator for the 2019/2020 season was on average 24.2% lower than the 2018/2019 season. The Australian market Indicator declined by 25.7% over the same period. Total wool delivered to BKB warehouses in the last season increased over the previous year.

The beef and lamb markets have been mixed in an environment of declining disposable income and restrictions imposed to combat the spread of COVID-19. The market for A2/A3 beef closed at R43.85 per kg (2019: R44.76) and weaners closed at R30.78 per kg (2019: R28.36). The A2/A3 lamb market closed the year at R83.64 per kg (2019: R70.34) with store lambs at R44.00 (2019: R37.92). The restrictions imposed during the lockdown have had a significant negative effect on our Livestock Division. Physical volumes and turnover in Rand terms have declined as a result of the restrictions imposed during the lockdown. Nevertheless, this situation hastened the swing to online auctions and we were able to utilise unique in-house software developed by our Shift Division. There has been very good acceptance of this online auction system. Turnover has increased, particularly with regard to auctions of sheep. The convenience of this system together with the confidence and assurance that BKB's Livestock team offers ought to ensure that greater numbers of livestock will be sold using this method in future.

The yellow maize price decreased by 10% over the reporting period closing at R2 600/ton. The performance of our grit milling business with mills at Bultfontein and Bethlehem was disappointing. The exposure of this business to the vagaries of the hominy chop market will need to be addressed before consistently good results can be achieved. Our Storage and Handling division once again delivered solid results with good demand for storage at our well located sites.

Fruits du Sud, our raisin business, has delivered very disappointing results. This has necessitated a change in management as well as a thorough review of all aspects of the business. Steps have been taken to improve and streamline all the production processes thereby ensuring competitive, high quality products. Procurement processes have also been tightened. We are confident that these changes will show improved financial results in the near future. Raisin production has increased to the point where there is now an over-supply resulting in a decrease in the price paid to the producer. The offtake price on world markets has also declined, partly because of the fallout from the USA/China trade war. During the year Fruits du Sud was carrying old stock at a relatively high cost price which resulted in a significant write down. Stock on hand is now valued at a more realistic current market prices.

The Sugar division has had an excellent year all round. The division has again beaten budget with increased volumes and improved margins. Management of this Division must be commended on their continued sound performance in a very difficult market.

Our Retail Trading division, whilst being marginally behind budget, has shown improved profitability measured against 2019. Fuel sales are a very important component of BKB's retail business and were particularly hard hit by the lockdown. In the retail trade "management of the detail" is vital to success and further improvement to systems and processes will continue, resulting in a much improved Retail business. The recent software upgrades make it possible to intensively manage all the processes in real-time. The prevailing difficult financial conditions necessitated planned capital expenditure being put on hold. The store upgrade program will only continue when conditions improve.

The IMF projects Global growth at minus 4.9 percent in 2020, 1.9 percentage points below the April 2020 World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated and the recovery is projected to be more gradual than previously forecast. In 2021 global growth is projected at 5.4 percent. The adverse impact on low-income households is particularly acute, imperilling the significant progress made in reducing extreme poverty in the world since the 1990s. The IMF forecasts for South Africa's GDP are minus 8.0 percent in 2020 and 3.5 percent in 2021.

Chairman's Report

The crises we face in South Africa have broadened and intensified over the last year. COVID-19 has exacerbated what was already a dire situation. Economically South Africa is in deep trouble and requires a steep and rapid growth trajectory to return our financial parameters to acceptable levels. This will require government to pursue and implement sound economic and business policies. Much must be done by government to overcome their track record and engender confidence in their capability to place the country on a growth path.

Corruption has become pervasive and only drastic action by the law enforcement agencies will change this. Unfortunately our law enforcement agencies lack the capacity to do so and the process of bringing the perpetrators to book is going to take time. On a slightly more positive note, we have recently witnessed the first examples of suspects being arrested and charged. Nonetheless, South Africa is fast running out of time and options to turn around its economic fortunes.

At Board level we have seen a number of changes over the past year. As representatives of our strategic partner and shareholder, VKB, we welcomed Paul Carshagen and Koos van Rensburg to the BKB Board in July 2019. Having had many years of service to VKB they will bring new insights to our deliberations. Together with VKB, our strategic partner, we continue to explore permissible synergistic opportunities. Any actions taken will be in accord with all relevant legislation.

In November 2019 we bade farewell to Frans van Wyk and wish to thank him for his sound contributions to BKB over his period of service on the Board.

At the end of December 2019 Wolf Edmayr, our CEO for the past fifteen years, retired. Wolf joined BKB when it was an infinitely smaller business which had recently converted from a Cooperative to a Public Company. The required change in culture was a massive undertaking which Wolf embarked on with sensitivity and determination. The results achieved over this period are self-evident and the BKB of today is a considerably larger and much more diversified business. We thank Wolf for the many years of energy and dedication to BKB. Wolf was recently appointed President of the International Wool Textile Organisation so he has not been lost to the South African Wool industry.

Johan Stumpf joined BKB as CEO on 1 February 2020. He was immediately confronted by a Wool market still battling from the foot and mouth disease and Lesotho issues. In mid-March the pandemic struck and the lockdown was imposed. Johan has tackled all these and other issues with energy, thoroughness and attention to detail. Corrective action has been taken at Fruits du Sud. All other Divisions are also being thoroughly examined and evaluated. We wish Johan success and happiness during his leadership of BKB. I am confident that he will take BKB to new heights during his tenure as CEO.

BKB has not had a Financial Director for some time. We were able to remedy this situation with the appointment of Jannie van Niekerk effective 1 May 2020. Jannie has already made a significant difference and will no doubt contribute considerable value to the BKB Group.

The Group endeavours to apply the principles of sound corporate governance as set out in the King Code. We strive to be compliant in the broadest sense of the term and honour our obligations to all our stakeholders by ensuring that we continue to be well managed and place emphasis on strong ethical leadership. We will vigorously pursue our values so that everything we do is true to the BKB Brand. This message is reinforced each and every day.

I would like to thank all our employees for their contributions to the Group in the past year. During this extraordinary period and in difficult circumstances they have shown continued dedication and commitment to the Company, their colleagues and our loyal customers. We also place on record the contribution of our customers who have continued to farm in the most devastating drought; may our relationship be one of mutual benefit to both parties. Finally, thanks to our Board for unfailing loyalty and commitment. Your support to me and the Management of BKB is always done with the best interests of BKB in mind.

In closing, I am confident that the BKB Group is "fit for the future" and that it will respond to new opportunities and successfully deliver benefits to all its stakeholders.

D C Louw
Chairman

27 August 2020

BKB LIMITED AND ITS SUBSIDIARIES
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Annual Financial Statements for the year ended 30 June 2020

Five Year Financial Summary

	2020 R'million	2019 R'million	2018 R'million	2017 R'million	2016 R'million
Results of operations					
Value of business	11 101	11 429	11 318	9 920	8 696
Revenue/Turnover	4 992	4 768	4 423	4 231	3 504
EBITDA ***(1)***	170	140	313	297	211
Depreciation and amortisation	66	52	47	41	42
Operating profit	104	88	266	256	169
Finance expense (net)	86	42	37	53	42
Income tax expense	10	22	67	68	38
Profit for the year	9	24	161	135	89
Headline earnings	29	28	165	131	85
Financial position					
Property, plant and equipment (including investment property)	880	872	802	632	566
Intangible assets ***(2)***	92	114	103	115	126
Right-of-use assets	56	-	-	-	-
Investments and non-current assets	25	55	53	51	22
Deferred tax asset	23	23	23	28	21
Inventories	751	847	624	661	609
Trade and other receivables	883	771	714	731	666
Other financial assets	-	5	-	-	-
Derivative financial instruments	13	8	1	8	8
Income tax asset	3	5	3	8	25
Cash and cash equivalents	75	57	81	175	85
Total assets	**2 801**	**2 757**	**2 404**	**2 409**	**2 128**
Total shareholders' equity	1 175	1 184	1 383	1 215	871
Non-current borrowings	137	162	39	52	67
Non-current lease liabilities	51	-	-	-	-
Provisions	8	7	7	7	7
Post-retirement medical aid liability	7	8	8	9	11
Deferred income tax liabilities	48	65	81	68	63
Trade and other payables	603	451	433	539	435
Derivative financial instruments	6	-	28	2	1
Financial liabilities at fair value	26	79	-	-	-
Current borrowing	657	694	327	469	638
Current lease liabilities	9	-	-	-	-
Income tax liabilities	1	1	7	7	1
Bank overdraft	73	106	91	41	34
Total equity and liabilities	**2 801**	**2 757**	**2 404**	**2 409**	**2 128**
Performance per share					
Number of shares in issue (m)	88	88	93	93	71
Share price at 30 June (cents) (last traded price)	1 000	1 600	1 200	950	950
Headline earnings (cents)	37	32	184	163	127
(Decrease)/increase in headline earnings (%)	17	(83)	13	28	(7)
Basic Earning (cents)	19	29	183	162	128
Normalised Earning (cents)	37	147	183	162	128
Dividends (cents) (proposed gross)	5	10	58	47	43
Net asset value (cents) ***(3)***	1 329	1 339	1 486	1 306	1 223

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Five Year Financial Summary

	2020	2019	2018	2017	2016
Returns and profitability ratios					
EBITDA margin (%)	3.4	2.9	7.0	7.0	6.0
Operating profit margin (%)	2.1	1.9	6.0	6.1	5.0
Effective tax rate (%)	54	48	29	33	30
Return on assets (%) ***(4)***	0.3	0.9	7.0	5.6	4.0
Return on equity (%) ***(5)***	0.7	2.1	12.0	11.1	10.0
Price earnings ratio (times) **(6)**	27	11	7	6	7
Dividend yield at closing price (%)	0.5	0.6	5.0	5.0	5.0
Solvency and liquidity ratios					
Gearing (%) ***(7)***	75	83	27	32	75
Current ratio ***(8)***	1.3	1.3	1.6	1.5	1.3
Quick Ratio ***(9)***	0.7	0.6	0.9	0.9	0.7
Interest Coverage (times)	1.2	2.1	7.2	4.8	4.0

(1) Earnings before interest, tax, depreciation and amortisation
(2) Intangible assets and goodwill
(3) Shareholders' equity divided by number of shares in issue at end of year
(4) Earnings divided by total assets
(5) Profit for the year as a percentage of shareholders' equity
(6) Share price divided by normalised earnings
(7) Interest bearing debt as a percentage of shareholders' equity
(8) Current assets divided by current liabilities
(9) (Current assets less inventory) divided by current liabilities

Chief Executive Officer's Report

Joining the BKB Group in an already challenging financial year and also having to confront one of the biggest health and economic challenges the world has seen in 100 years, presented a very interesting first few months at BKB. As with any crisis, it also has its benefits as it requires attention to detail and a shorter planning horizon with the focus on survival, rather than longer term growth. This in turn resulted in my getting to know the business much quicker and in more detail and depth than would have been the case in less turbulent times. It has also ensured a speedy integration into the executive management team. The past two years have been a very challenging time in the life of BKB with performance on many fronts not being what stakeholders have come to expect from the Group. Both the Chairman's and Financial reports deal with the past performance. This report will thus rather focus on the future and endeavor to provide some insight into the short and medium term prospects of the Group.

For how long and to what extent the turbulence and uncertainty created by the COVID-19 virus, will last is uncertain. This makes business planning extremely difficult. Although many of BKB's businesses are linked to basic foodstuffs, which will probably be less affected, it also has significant exposure in the luxury markets, e.g. fibres. Other businesses have been severely affected as a result of various movement restrictions, which could be implemented again, as the virus takes its course. In handling the crisis in the short-term, management instituted various immediate interventions, e.g. maximizing cash flow through reducing working capital; curtailing capital expenditure and acquisitions; various other operating cost savings measures such as freezing salary increases, cutting non-essential marketing costs and critically evaluating the role of all external service providers. These interventions have resulted in strong positive cash inflows in the last four months of the financial year. BKB is, from a short-term risk perspective, in an excellent position with more than enough headroom in its financing facilities to see out an extended turbulent period. This has also been accomplished by implementing all requirements to ensure a safe working place. Unfortunately the Group has had 29 infections so far, with one employee passing away. The remainder are well and have mostly recovered. Strict measures to ensure the ongoing successful management of the virus in the workplace will continue for the foreseeable future.

During the last three years BKB started to focus on how opportunities in the digital world can be combined with agricultural-specific needs. This has resulted in various initiatives that, whilst mostly still in development phase, promise to open up new opportunities and income streams for the Group. One area that literally has had no choice other than to "grow up overnight", is the digitilisation of auctions. From having the first full digital auction in February, BKB had already held 36 auctions by July. The budget and plans for 2021 included 50 digital auctions. I am pleased to report that we will achieve this target by the end of September and at this stage it is not unrealistic to expect to end the year with having held around 150 digital auctions. This is a good example of where a radical change in the external environment can lead to new innovations and new, better business models.

Looking at the medium to longer term future from a performance metrics perspective, BKB has to return to historic pre-2018 levels. The Group has always been known for its strong balance sheet, strong cash flows and good returns on the funds employed in the business. For most of these measures it ranked number one or two amongst peers in the agricultural sector. In view of this, management has set very specific goals to be achieved in the next three years which will also drive a new long-term incentive scheme for executive management.

While there are different metrics to measure many different things, there are two measures that incorporate profitability, return on funds entrusted to management as well as risk with regard to not overburdening the balance sheet. They will be the main drivers and they are:

- ***Return on funds employed (ROFE):*** This ratio indicates how effectively management utilises all funds in the business, i.e. shareholder funds as well as debt funds. It is important that this should be more than the weighted average cost of capital (WACC) in the business. Historically BKB achieved returns of between 1.5 and 3 percentage points in excess of WACC. The goal has been set to return to these levels in the next three years.

- ***Net debt to EBITDA:*** This ratio is an indication of how much balance sheet risk is taken to generate returns. In a strong, growing market such as the world has seen after the 2009 financial crisis, management can be incentivized to take on high debt levels in order to increase return on equity. When a downturn happens (such as we are currently experiencing), many companies are unable to sustain these debt levels, and then the business can fail from a liquidity point of view. Traditionally BKB performed extremely well on this metric and a goal has been set to get it back to a ratio of 4 over the next three years and to around 3 to 3.5 thereafter.

The more important aspect of hard goals such as these is how will this be achieved. In tackling the issue, BKB's portfolio of businesses and assets has been evaluated and classified broadly into the following categories:

- ***Protect and build selectively:*** These are businesses that perform well and where BKB is seen as a market leader, e.g. Fibre and Livestock. The focus here will be to make these businesses even more effective and more customer orientated through exploiting synergistic opportunities, investing in newer technology (e.g. digital platforms) and, to a lesser extent,through growth by acquisition.

- ***Manage for earnings and growth:*** Many of the newer businesses in PaKHouse Brands fall into this category. As the acquisitions were mostly executed by leveraging the balance sheet of the target companies, bottom-line profitability is problematic in some of them. Focus will be placed on improving earnings by means of efficiency improvements (real-time efficiency performance measurement has, for example, already been implemented in most of them), product innovation, product quality and brand development. These are important businesses for BKB as they bring diversification to the Group, not only from a product and geographic perspective, but also by broadening the export based earnings. Synergies between these businesses, as well as with external partners, will also be investigated within the framework of prevailing Competition laws. New acquisitions and/or mergers could also play a role. However, until there is more certainty with regard to COVID-19 and its impact on the world, a very conservative approach will be followed.

Chief Executive Officer's Report

- ***Invest/Divest:*** These are businesses and assets that may not be performing, are not that core to BKB's future, or may be still in a development phase (without a clear picture as to whether or not they will be successful). Apart from a few physical assets, at this stage management has not identified immediate candidates for divestiture, but will continue to ensure investments made in these businesses have a high probability of success. Further acquisitions could form part of this strategy, but again will be approached very carefully.

Going through a management change during such turbulent times is not easy. I want to thank the Board and the Executive Management for their trust in me to steer this valuable asset of shareholders, customers, other stakeholders, as well as the agricultural industry in South Africa. I look forward to ensuring that BKB remains "The Trusted Home of Agriculture".

J E Stumpf
Chief Executive Officer

27 August 2020

Financial and Operations Review

1. Financial Review

The BKB Group has diversified its activities into multiple agricultural segments which are widely spread over numerous geographical areas. The Group was able to leverage off this spread, which together with stringent management controls, contributed to the group maintaining its revenue performance as well as its positive cash generation. This was achieved despite the many challenges prevalent in the Agricultural sector and the broader economy during the year under review.

Revenue
4.6%

R117.6 million cash generated
from operations less capital expenditure

Net working capital % of Value of business:
improvement of 8.3%

Income Statement

The segmental analysis and annual financial statements should be read together with this review.

Results for the year	**2020**	**2019**	**Change**
	R'million	**R'million**	**%**
Value of business	11 101	11 429	(3)
Revenue	4 992	4 768	5
Operating profit	104	88	18
Profit before tax	19	47	(60)
Profit after tax	9	24	(63)

Value of business and Revenue

The BKB Group recorded value of business of R11 101 million (2019: R11 429 million) and revenue of R4 992 million (2019: R4 768 million), a decrease of 3% and increase of 5% respectively. Value of business and revenue performance was mainly impacted by lower wool prices following a foot and mouth disease outbreak in 2019 and the impact of the COVID-19 pandemic. Wool exports to China were severely delayed due to restrictions placed on imports by the Chinese authorities. Revenues from Fruit (raisins) and Livestock were also severely impacted. The Sugar division however took advantage of changing buying patterns during the COVID-19 pandemic which increased sales. The other businesses within the BKB Group did well to report revenues close to those of the prior year, despite tough trading conditions.

Operating profit and operating profit margins

An operating profit of R104 million was achieved by the Group, an increase of 18% from a low base. The major contributors to the Group's overall poor performance were the Fibre, Livestock and Fruit divisions. Fibre achieved lower prices and Livestock achieved lower volumes and prices from the impact of the foot and mouth disease and the fallout from the COVID-19 pandemic. The Sugar and Trading divisions increased their operating profit by R20.8 million and R3.1 million respectively.

The Group's overall results were adversely affected by the poor performance of Fruits du Sud. Lower international prices for raisins necessitated a write-down of unsold prior season inventory at Fruits du Sud of R15.3 million. Intangible assets relating to Fruits du Sud were impaired resulting in a write-off of R15.8 million.

The Group's gross margin performance was lower than the previous year at 19.5% (2019: 21.3%) due to lower brokerage income from Fibre and Livestock as well as lower margins achieved in Fruits du Sud.

The Group posted a profit after tax of R9 million (2019: R24 million). Headline earnings increased from R28 million in 2019 to R29 million in 2020. The largest divisional contributors to profit were the Sugar and Trading divisions. The Trading division achieved a very good result despite the sharp drop in fuel demand during the COVID-19 lockdown period.

The Group continues to implement its cost management initiatives to counter increases in overheads and utilities and their effects, particularly given the difficult environment we operate in.

Finance income and expense

The Group earned R3.2 million (2019: R6.8 million) in interest on surplus cash. Details on interest income are set out in note 29.

The first time adoption of IFRS 16 Leases resulted in an interest expense of R5.9 million. The financing of the prior year share transaction further increased interest expenses.

Taxation

The consolidated effective rate is 54% (2019: 48%). The higher effective rate in 2020 is primarily due to the derecognition of a R5.9 million deferred tax asset previously raised on the assessed loss of RFID Experts Africa (Pty) Ltd. The prior year tax charge includes a capital loss on the Maruwa loan impairment as well as non-deductible expenses relating to the share transaction.

Statement of Other Comprehensive Income

Other comprehensive income for the year

In 2020 the movement in the reserve on revaluation of properties is due to the revaluation of the Bethlehem property. A valuation was performed on the Port Elizabeth office and fibre warehouse property during 2020 and no adjustments to the value were identified. The remainder of the Group's properties were revalued in 2018.

Statement of Financial Position

Property, plant and equipment

The most significant items of expenditure on property, plant and equipment were the construction of a new depot in Mpumalanga to the value of R9.5 million and a R4.4 million heating system in the Fibre shipping area as a measure to satisfy the Chinese authorities. An independent valuation was performed on the main property being the office buildings and fibre warehouse in Port Elizabeth. There was no indication of any impairment in the value as at 30 June 2020.

Right-of-use assets and lease liabilities

Right-of-use assets of R56.1 million and lease liabilities of R 59.7 million were recognised due to the adoption of IFRS16 during the current year. Details of initial recognition at 1 July 2019 is set out in Note 3.

Inventories

Grain inventory decreased due to changes in the procurement policy and making more use of mill-door contracts. Increased volumes of unsold wool resulted in higher fibre stock at year end. The inventory of Fruits du Sud (Pty) Ltd decreased as a result of better management as well as value adjustments to net realisable value.

Trade and other receivables

Included in trade receivables are fibre buyer debtors from a wool auction held on the last day of the financial year, which supports the increase from the prior year.

Share capital

There were no significant changes for the year under review.

Borrowings

The Group managed to reduce overall interest bearing debt (less cash) by R114 million from the prior year due to improved working capital levels.

Trade and other payables

Trading terms were favorably renegotiated in Fruits du Sud (Pty) Ltd and sales activity in Sugar division increased. This, coupled with the wool auction that was held on the last day of the financial year, supports the year-on-year increase in trade and other payables.

Cash reserves and debt position

The Group had cash reserves at 30 June 2020 of R75 million (2019: R57 million). Most of the short-term borrowings of R683 million (2019: R773 million) were used for the financing of inventories and debtors. The Group has stringent controls in place over the use of cash resources.

Statement of cash flows

Cash flows from operating activities

Cash generated from operations amounted to R286 million during the current financial year, compared to R6 million cash used in operations during 2019. The net working capital requirement (current assets excluding cash, less current liabilities) decreased by R126 million (2019: increased by R275 million), which is mainly a result of the lower levels of inventory.

Cash flows from investing activities

Capital expenditure for assets acquired by the Group was R60 million (2019: R66 million). The largest asset acquisition was the construction of a new depot in Mpumalanga. Capital expenditure of R90 million for the replacement of motor vehicles, ICT hardware and software, store and plant and equipment and for certain expansion initiatives, has been identified and budgeted for the 2021 financial year.

Cash flows from financing activities

The most significant cash flow was the loan advanced to Maruwa in the prior year (Note 28).

Dividend

BKB traditionally maintains a dividend cover of three times earnings as long as circumstances permit. We believe that this policy allows the Group to grow organically and to exploit opportunities complementary to our business.

During the year BKB Limited, the holding company, received dividends from subsidiaries of R20 million (2019: R26 million). This income is shown in the Company results and has no effect on the Group results.

During February 2020 a gross dividend of R9 million (10 cents per share) was paid to shareholders.

2. Operations Review

The salient features and highlights for the Group's operating divisions and supporting functions are set out below. Detailed segmental information is set out in Note 1 to the financial statements.

BKB Agri

Fibre

The Fibre division provides a brokerage, shearing, warehousing, and advisory service offering to wool and mohair producers in Southern Africa.

The year under review presented many challenges for the division and its leadership team. The year started off with the lingering effects of a foot and mouth disease (FMD) outbreak in Limpopo. This had a severe impact on the business and its logistical systems to enable it to cope with the backlog and high volumes caused by the ban on wool and mohair exports into China. Many procedures and processes had to be redesigned and implemented to allow operations to continue and to service producers and customers.

The division was looking forward to recovering from the foot and mouth outbreak when the COVID-19 pandemic hit the industry in the first quarter of 2020. Apart from the impact of the nationwide lockdown on productivity, the market reaction to the pandemic was severe. Year-on-year prices dropped by an average of 30% which was further exacerbated by the ongoing trade war between China and America.

Two wool auctions to the value of R119 million had to be postponed until after year-end due to the lower demand. During the year under review 31.4 million kilograms (2019: 25.5 million kilograms) of wool were received of which only 26.8 million kilograms (2019: 25.2 million kilograms) were sold.

Several initiatives were introduced to mitigate the ongoing risks and related exposures from disease outbreaks:

- The Responsible Mohair Standard (RMS) was launched during the year. We aim to certify as many producers as possible in as short a time as possible.
- BKB Fibre division now has more than a thousand Responsible Wool Standard (RWS) certified producers, supplying approximately six million kilograms of RWS-certified wool to the market. This certification system has proved to be highly beneficial to producers who have earned significant premiums on their certified wool.
- As a measure to satisfy the Chinese authorities, BKB installed a heating system to keep the 45000m² warehouse above the minimum temperature of 18-degrees Celsius.

The situation regarding wool from Lesotho has improved and most of the Lesotho clip from last year was recovered. However, sales to China were hampered due to the impact of the COVID-19 pandemic.

Sales of the CORE Merino clothing brand continue to increase. It is encouraging to see the brand gaining traction with more returning customers.

Livestock and Properties

The division trades under the brands of BKB, BKBLouwid, BKB van Wyk, BKB Riverview, BKB Wildlife and Home & Hectare Real Estate. The division focuses on marketing activities relating to livestock, properties, and agricultural equipment by means of auctions and through liaison transactions. During the year under review a new brand, namely Solomons and Crafford, with expertise in the Port Elizabeth luxury home market, was added and merged with Home & Hectare Real Estate. This acquisition forms part of a strategy to increase the property division’s focus on the residential (rural and urban) and commercial property markets, while the key focus remains on farm properties.

The Livestock and Auctioneering division experienced extremely challenging trading conditions, which included a three-month ban on auctions following the outbreak of FMD. The division has also seen a significant drop in the number of animals on auction since the start of the COVID-19 lockdown period. Despite these major challenges the division remained profitable.

Towards the end of the financial year, trading conditions started to improve with a notable increase in the number of animals traded, as well as an increase in prices, especially for sheep. The demand for good quality animals for both breeding and slaughtering purposes remains high. Despite the challenges, the division managed to increase the number of auctions. The division is expecting favorable trading conditions for both small and large stock in the short to medium term.

Continued uncertainty regarding the issue of land reform, together with the current macro-economic situation, will continue to put pressure on the property market. The recent drop in the prime lending rate should however support the division’s increased residential focus.

Financial and Operations Review

Livestock and Properties (continued)

The Livestock and Auctioneering division continues to be at the forefront of new developments and is constantly in search of new ways to improve its offering in the livestock and property markets. In order to improve the effectiveness of our livestock marketing efforts, the division continued to increase the use of digital technologies and social media platforms. The first digital auctions which were held were extremely well received by the market. The division expects a significant increase in the number of digital auctions, as well as the number of animals traded on this platform, for both stud and commercial animals over the next twelve months. The digital auction offering will be extended to include farm and residential properties under the Home & Hectare brand.

Trading (Retail and Fuel)

BKB Retail and Fuel division has a national footprint and loyal customer base.

The Trading division was not spared from the impact of a devastating drought and the effects of the COVID-19 pandemic. Fuel volumes at the forecourts have been under pressure since the start of the COVID-19 lockdown period which has had a substantial negative effect on profitability.

Despite these factors, the division has outperformed the previous year's results. Focus areas were to create more product diversification inside the shops, reduce waste and optimize working capital levels.

Most of our traditional customers, who are mainly small and large stock producers, were affected by the worst drought in decades. The drought created an abnormal demand for animal feed during the latter part of 2019. BKB assisted farmers during these difficult times with feed donations and subsidising the transportation of feed to affected areas. BKB has also been privileged to assist farmers through government assisted COVID-19 relief vouchers during the pandemic.

In the year ahead the division looks forward to continuing BKB's support to the rural economy. Further, there are plans to upgrade several branches which will improve service levels to our loyal customer base.

PaKHouse Brands

PaKHouse Brands is the Holding Company of the agro-processing subsidiaries in the BKB Group and has interests in various supply chains from producer to consumer.

The main activities of PaKHouse Brands are related to grain, lucerne, raisins and sugar. They also include procurement, storage, processing and marketing functions. The Group owns world-class processing and storage facilities, all of which are operated in accordance with various accredited standards and best practices. Production and storage facilities are strategically located throughout Southern Africa. The Group's scale and footprint ensures the sourcing of quality raw materials and products, whilst also providing producers access to a wide range of markets.

Overall good performances by the sugar and grain storage divisions were negated by disappointing results in the raisin business as well as challenges in the lucerne and grit milling businesses.

Atlanta Sugar (Pty) Ltd houses the agro-based consumer goods with its main operation in Matsapha, Eswatini. The core product range includes various categories of sugar, grain products and sunflower oil. Activities include pre-packing, sales and marketing to a diverse customer base of national retailers, wholesalers, industrial customers and independent traders. The effective management of the South African sugar tariffs resulted in limited amounts of imported sugar entering South Africa and supported the demand for local sugar. The Atlanta business was able to benefit from this. Sales of the Atlanta product range were boosted by changes in buying patterns during the COVID-19 lockdown period. Improved efficiencies, cost reduction initiatives and optimal working capital levels further supported the overall good performance. The business is well positioned to further increase its brand, product basket and customer base during the next financial year.

Fruits du Sud (Pty) Ltd focuses on the processing, packing and exporting of raisins. The Company operates from Kanoneiland in the Northern Cape. High volumes of prior season carry-over stock, together with a substantial decrease in international sales prices, resulted in a R15.3 million inventory value write-off. Sales were further hampered by logistical challenges due to the COVID-19 pandemic during the latter part of the financial year. Management's focus on cash generation during this time resulted in a R69 million improvement of free cashflow (cash from operations less capital expenditure). Continued focus on optimizing working capital levels, establishing new markets and improving grading and packing efficiencies demonstrates the Group's commitment to this business. It is expected that the South African raisin industry will continue to experience volume growth while the establishment of grapes for raisin production in South Africa enjoys an upward trend. A reassessment of the value of intangible assets relating to the purchase of Fruits du Sud (Pty) Ltd resulted in a write-off of R15.8 million.

BKB GrainCo (Pty) Ltd specializes in the storage of grains. All grain depots are JSE/SAFEX and FBO accredited. The Grain Storage division performed well during the current year despite a poor wheat season as most of the maize depots operated at full capacity. Due to the quality infrastructure, systems, and location of depots, management are confident of continued good performance in the next financial year.

AlphaAlfa (Pty) Ltd specializes in animal feed activities involving both lucerne and hay processing. Milling is combined at the facilities in Kimberley. Lower than expected export volumes, mainly due to wet weather during the harvest, contributed to the disappointing results for the past financial year. The production throughput of the high-density press has increased in line with the opening of a market for our products in China. The business is well positioned to increase its current production levels.

Grainco (Pty) Ltd (Gritco) is responsible for yellow maize processing at its grit mills in Bultfontein and Bethlehem. Due to transport costs in procuring quality yellow maize from outlying areas, the Bultfontein mill produced lower than expected margins. The new mill in Bethlehem was profitable and is now fully accredited as a supplier to multinational customers.

Financial and Operations Review

BKB SHIFT

Globally companies are struggling to understand and come to grips with the challenges presented by Industry 4.0 and a changing digital economy. BKB SHIFT is the Group's business unit that focuses on digital transformation of the agricultural industry in South Africa by creating a next-generation digital business services platform.

The outbreak of COVID-19 has brought about an acceleration in the digital transformation of process development within BKB SHIFT which included hosting a first-of-its-kind digital auction in February 2020. This type of digital auction, which was a first for South Africa, had 65 online bidders and more than 900 local and international guest viewers. The successes and lessons learnt from the first auction were invaluable and during Level 5 lockdown in April 2020 four more auctions were hosted. Together with BKB Livestock Auctioneering, weekly production auctions were launched on Mondays. Eleven weekly scheduled production auctions and eleven stud auctions were successfully conducted during the financial year. The hosting of simulcast digital auctions was fully incorporated into the value proposition of the BKB Livestock Auctioneering division, with more than 50 confirmed auctions scheduled for the new financial year.

Over the past 18 months, disease outbreaks have had a significant impact on the trade of livestock and wool. To manage this risk more effectively in future the use of blockchain technology is critical. From 1 July 2020, each wool bale in the BKB system (and all activities pertaining to it) will be recorded on the Shift DX provenance and traceability application which is backed by blockchain technology. The functionality of the technology will be expanded through the value chain in the year to come.

RFID Experts Africa (Pty) Ltd (RFID) plays an important role in the supply chain. It promotes and sells RFID technology which forms a critical part of precision farming. By establishing a shared collaboration between the information collected by the RFID technology and the platform business model of Shift Digital Acceleration, the value of data can be unlocked as more useful information to the farmer.

External factors including the prevailing drought and the impact of FMD on the livestock industry have had a direct impact on the revenues of RFID. The business has established a relationship with a veterinarian company which has sales representatives across Southern Africa and it is envisaged that this alliance will unlock new opportunities.

Our people

The Group's focus on employee engagement as a vital part of the employee value proposition is evaluated every alternate year by way of a survey conducted by an independent organization. The results reflect that 80% of our employees attest to a high level of job satisfaction, 78% of our employees describe themselves as being motivated, whilst a further 84% of our employees have a high/ very high intention to stay with the BKB Group. This allows BKB to attract and retain a high quality workforce, reduces employee turnover and improves customer satisfaction and efficiencies in our business. Our total labour turnover is below surveyed norms of 18.4% at 12.8% and a voluntary labour turnover of 5.3% compared to the norm of 9.6%.

The Group is constantly striving to enhance the level of interaction and relationships with all our employees.

The initial impact of the COVID-19 pandemic and related restrictions on our businesses and employees has been severe. Following an initial hard lockdown in South Africa with restrictions being subsequently eased in varying degrees, our employees were forced to adapt to challenges faced by the persistent presence of the pandemic. The BKB Group suffered 29 positive COVID-19 cases, with two hospitalizations and one fatality to date.

BKB is exceptionally proud of all its employees who have risen to the challenges created by the COVID-19 pandemic.

- From the beginning of the lockdown period, its frontline employees in customer-facing roles and in the production plants showed up for work every morning, braving the uncertainty and fear of the virus;
- Its support teams worked tirelessly, embracing digital platforms and overcoming the many frustrations of working from home;
- Health & Safety, Compliance and HR Teams rigorously implemented safety protocols, reporting processes, case management and contract tracing platforms, in compliance with sometimes ambiguous regulations and in record-time. The safety of customers and employees was a priority from the outset.
- Personal sacrifices were made by every employee who accepted the postponement of annual increases, as well as those employees over the age of 60 and/or with comorbidities that prevents them from coming to work and earning a wage;
- Its executive leadership provided clear direction, support, transparent communication and motivation.

Learning and Development of our People

Our people are our greatest competitive advantage and we view learning as an integral part of growing this competitive edge. We recognize that when employees grow, they, in turn, grow our business. We continuously invest in the training and development of our people.

Of the seven learnerships successfully running in the BKB Group, we are especially proud of the Wholesale and Retail Distribution Learnership for our hearing-impaired employees on the wool floor. We have 44 hearing-impaired sorters and pressers employed on the wool floor, which is supporting the national drive to uplift the disabled.

Our BKB Leadership Academy supports our goal to be the market leaders in how we manage and lead our employees. We know that investment into the leadership teams of BKB is an investment in our future. This year 41 managers attended the one-year leadership program. The golden thread throughout the Academy is leadership, because when employees build trust in leaders, leaders consequently gain the power of influence. When employees lose the fear of failure, they become engaged. Engaged employees are more creative, more "present in the workplace" and passionate about their work and employer. Research shows that if we embrace the power of being equally effective as leaders as we are managers, our ability to produce great results increases.

Financial and Operations Review

Learning and Development of our People (continued)

Other learning offered this year ranged from developing personal, team and organizational efficacy (including developing a sheep management program), auctioneering training, computer and product knowledge initiatives and compliance training. There were 550 beneficiaries of the various training programs and 33 employees benefited from our staff bursary program to further their tertiary studies.

Our passion for growing people extends beyond the development of our own employees. BKB has proudly established a BKB Educational Trust with the purpose of financially assisting school children and students. This year we spent R1.3 million to support 130 children with their studies.

Human Resources Policies

We provide a variety of services to our employees which range from general benefits such as medical aid and retirement fund schemes, with generous death and disability benefits, to overall employee care. Our remuneration structure, underpinned by our remuneration policy, remains instrumental in ensuring reward parity, internally as well as for external benchmarking, and serves to attract and retain talent.

BKB Wellness includes free trauma counselling as well as an HIV/Aids insurance Protector Plan providing psychological and medical support and free anti-retroviral treatment to all employees.

Merit and recognition awards include Long Service Awards and our annual Value Awards. Our annual Chairman's Award for Excellence, a most prestigious honour, is awarded to an individual who made a difference and achieved our BKB purpose through their talent, skill and ingenuity.

We subscribe to an online recruitment talent community portal, BKB SkillsMap, which aims to bridge the gap between job seekers and ourselves. Attracting and retaining the right talent is at the heart of our business' success.

Employment Equity and Transformation

BKB is committed to Transformation and has an Employment Equity Committee, chaired by the General Manager: Human Resources. This committee provides a forum for representatives of labour, management and other designated groups to review the progress and discuss the direction of BKB's employment equity plans and policies. In addition, the Board has a Social and Ethics Committee and a Human Resources Committee that ensures compliance, governance and conscientious leadership.

Whilst 78% of our total workforce profile is representative of Previously Disadvantaged Individuals (PDI), we have a 13.5% PDI representation on middle management and 27.8% PDI representation on junior management.

Broad Based Black Employment Empowerment

BKB is subject to the Agri-sector specific regulation under the BBBEE legislation and it proactively implement policies that are in accordance with BBBEE guidelines.

Of BKB's shareholding, 11% is owned with equal rights by PDG's (previously disadvantaged group's), the most significant of which are the Ciskei, Transkei and Lesotho Empowerment Trusts. Although the Lesotho Empowerment Trust is not considered for BKB's Broad Based Black Economic Empowerment (BBBEE) rating, BKB still views these beneficiaries as significant contributors to the wool and mohair industry and require due recognition for this.

BKB is proud to have improved its B-BBEE compliance level to a Level 5 Contributor compared to previous year Level 7. Various initiatives in skills development, enterprise and supplier development as well as socio economic development contributed to the improved score.

Some of these initiatives include:

- Continued development of BKB staff and the investment in skills development for learnerships for disabled learners. These learners are integrated into BKB wool sorting division and are proven to be excellent and accurate wool sorters.
- Bursaries to qualifying beneficiaries towards school fees, textbooks and uniforms.
- Wool and livestock technical field services provided to emerging farmers.

BKB policies promote equitable human resource practices for greater inclusivity amongst all groups.

Compliance

In terms of its Compliance Policy and Charter, BKB is committed to complying with applicable laws, rules, codes and standards. The Group conducts business according to the highest standards of corporate governance and in the interest of all stakeholders. The Audit and Risk Committee assesses significant regulatory risks and the levels of compliance as part of its duties. Regulatory compliance is included in the scope of audits performed in terms of the Group's annual internal audit and risk management plan.

A suitably qualified Compliance Officer has been appointed in each business unit to assume responsibility for the co-ordination, direction and reporting for regulatory compliance within that business unit. Compliance Officers have a dual reporting line to both the Group Compliance Officer and their direct line manager. The Group Compliance Officer reports to the Audit and Risk Committee on a quarterly basis.

Corporate Governance Report

The Group is committed to the principles of transparency, integrity and accountability as recommended in the King IV Report. The principles of King IV have been adopted as far as practically possible. The requirement to conduct the business of the Group ethically, with integrity and the highest standards of corporate governance is a cornerstone of the Group's philosophy.

1. Governance and Compliance

Board of Directors

During the 2020 financial year the Board of Directors comprised of thirteen members, of which ten served in a non-executive capacity and three members served in executive capacities. The Board of Directors meets quarterly and is responsible for strategic and policy decisions.

The Chairman is a non-executive director and all non-executive directors are appointed for a specific period. The Board of Directors shall comprise of no fewer than six and no more than fifteen directors as follows:

- a maximum of eight directors elected by the holders of the ordinary shares;
- a maximum of four executive directors appointed by the abovementioned elected directors; and
- a maximum of three non-executive directors appointed by the elected non-executive directors based on their expertise and experience

The role and function of the board includes:

- providing strategic direction;
- exercising effective control over the Company and Group;
- ensuring the sustainability and financial position of the business;
- putting appropriate risk management, internal controls and regulatory compliance procedures in place;
- designating and assigning responsibility to sub-committees and providing terms of reference;
- defining levels of authority for management; and
- providing governance and oversight over subsidiary companies' activities.

Audit and Risk Committee

The Audit and Risk Committee consists of four non-executive directors. The external auditors and the internal auditors have unlimited access to the Audit and Risk Committee, which ensures that their independence is not compromised in any way. The external auditors attend the meetings and are granted the opportunity to discuss any relevant matter. Internal audit matters are considered during each quarterly Audit and Risk Committee meeting. Members of executive, senior management and internal audit attend the meetings by invitation.

This committee continuously monitors the independence and objectivity of the external auditors.

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee consists of one executive and four non-executive directors and the General Manager of Human Resources.

This committee determines the remuneration of all personnel. Matters relating to the remuneration of non-executive directors are put to shareholders for approval at the Annual General Meeting.

Over and above this, the committee also ensures that the appropriate Human Resources policies and procedures are in place and are aligned to the values of BKB, the required talent is recruited and retained and that proper development and reward structures are in place. This committee is also responsible for ensuring that a proper employment equity plan is in place and is being actioned.

Nominations Committee

The Nominations Committee is made up of three non-executive directors and is chaired by the Chairman of Board. The committee ensures that the recommended Board appointments are made considering the need for appropriate skills, competency and experience. This committee will also make recommendations regarding composition of Board Committees.

Social, Ethics and Sustainability Committee

This committee consists of one executive and four non-executive directors and the General Manager of Human Resources. The functions of the Social, Ethics and Sustainability Committee are:

- adopting the necessary policy, strategy and structure to manage social, ethical and sustainability issues;
- providing leadership and guidance to the Board on social and ethical issues;
- ensuring that effective and adequate policies and procedures are in place to manage social, ethical and sustainability risks;
- reviewing and approving the policy, strategy and structure to manage social, ethical and sustainability issues in the Group;
- monitoring that subsidiaries, associate companies and related entities develop policies, guidelines and practices congruent with the Group's social, ethical and sustainability policies;
- reviewing compliance by the Group, its subsidiaries and associates with policy, guidelines and appropriate local and international standards and relevant local laws in social, ethical and sustainability matters, including competition laws;

- as appropriate, consulting and communicating with internal and external stakeholders with respect to social, ethical and sustainability issues; and
- ensuring that management has allocated adequate resources to comply with social, ethical and sustainability policies, codes of best practice and regulatory requirements.

This committee is also responsible for our Broad Based Black Economic Empowerment implementation.

Investment Committee

The Investment Committee was made up of two executive and two non-executive directors during the 2020 financial year. This committee assists the Board in:

- considering new acquisitions or investments;
- informing and updating the Board on new and existing opportunities;
- ensuring alignment between the investment and acquisition and the business strategy; and
- considering the alignment of funding options to investments and acquisitions.

Attendance of meetings

	AGM	Board of Directors						Audit and Risk Committee				Human Resources, Remuneration & Social & Ethics Committee				
	Scheduled	Special	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Special	Scheduled
Meeting dates	28/11/2018	12/06/2019	29/08/2019	27/11/2019	28/11/2019	27/02/2020	28/05/2020	28/08/2019	27/11/2019	26/02/2020	27/05/2020	28/08/2019	26/11/2019	26/02/2020	08/04/2020	27/05/2020
D C Louw	✔	✔	✔	✔	✔	✔	✔	G	N	N	N	✔	✔	✔	✔	✔
G E J Kingwill	✔	✔	✔	✔	✔	✔	✔	N	N	N	N	✔	✔	✔	✔	✔
W Edmayr	✔	✔	✔	✔	✔	✔	-	E	E	-	-	✔	✔	-	-	-
A S du Toit	✔	✔	✔	✔	✔	✔	✔	E	E	E	E	N	N	N	N	N
C D Hobson	✔	✔	✔	✔	✔	✔	✔	N	N	N	N	✔	✔	✔	✔	✔
M H Jonas	X	X	✔	X	X	X	✔	N	N	N	N	N	N	N	N	N
E A Meyer	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	N	N	N	N	N
V Pillay	✔	✔	✔	✔	✔	✔	✔	N	N	N	N	N	N	✔	✔	✔
H C Staple	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	N	N	N	N	N
H J Swart	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	N	N	N	N	N
F P R van Wyk	✔	✔	✔	✔	-	-	-	✔	✔	-	-	N	N	-	-	-
P G Carshagen	✔	-	✔	✔	✔	✔	✔	N	N	N	N	N	N	N	N	N
J F J van Rensburg	-	-	✔	✔	✔	✔	✔	N	G	✔	✔	N	N	N	N	N
J E Stumpf	-	-	-	-	-	✔	✔	-	-	E	E	-	-	✔	✔	✔

✔ - PRESENT X - APOLOGY N - NOT ON COMMITTEE E - EX-OFFICIO G - INVITEE AS DIRECTOR

2. Internal control systems

Proper internal control systems and processes are in place. They provide reasonable assurance to the Board of Directors and Management concerning the preparation of reliable, published financial statements and the safeguarding of the Group's assets. The proper operation of internal controls is monitored internally and the findings and recommendations are reported to Management and the Board of Directors. The Board of Directors, inter alia through the Audit and Risk Committee, supervises the financial reporting process.

3. Employee participation

The Group employs a range of participative structures for issues that significantly and directly affect employees. These have been designed to maintain sound relationships between employer and employees through the effective communication of relevant information, consultation and the identification and resolution of conflict. The Group employs a policy of equal opportunities for all and promotes staff on merit.

4. Code of Ethics

Through its Code of Ethics, the Group is committed to the highest standards of integrity, conduct and ethics in its dealings with all its stakeholders, including its directors, managers, employees, customers, suppliers, competitors, investors, shareholders and the public in general. It is expected of directors, executive management and all staff to fulfil their ethical obligations in such a manner that fair, commercially competitive practices are employed in operating the business.

Audit and Risk Committee Report

The Audit and Risk Committee ("the Committee") is pleased to present its report in terms of section 94(7) of the Companies Act, Act 71 of 2008, as amended from time to time ("the Companies Act"). This report sets out how the committee discharged its responsibilities for the financial year ended 30 June 2020.

1. Members of the Audit and Risk Committee

As a statutory body, the committee is accountable to the Board and to the shareholders of BKB Limited. The committee is the audit committee for all companies in the BKB Group.

The members of the Audit and Risk Committee are all independent non-executive directors of the Group who were appointed at the Annual General meeting:

Name	**Qualification**
HC Staple (Chairman)	B.Comm; CTA; NHEd; CA (SA)
EA Meyer	BComm (Honours); CA (SA)
HJ Swart	M.Comm (Agricultural Economics)
J F Janse van Rensburg	B.Compt (Accounting); B.Compt Hon; MBL

The committee is satisfied that the members have the required knowledge and experience as set out in the Companies Act.

The committee is satisfied that it has fulfilled its governance and statutory responsibilities.

2. Meetings held by the Audit and Risk Committee

The committee held four meetings during the past financial year and all the members of the committee attended all the meetings.

The external auditors attended and reported to all meetings of the committee. The external auditor has unrestricted access to this committee.

Executive directors and relevant general and senior managers, as well as representatives of the compliance and risk management functions, attended meetings by invitation.

The chair has regular meetings with the external auditors as well as the Group's Chief Financial Officer. Additional closed meetings are held with these parties by the committee.

3. External auditor

The committee satisfied itself that the external auditor, PricewaterhouseCoopers Inc., is independent of the Group, both as defined by the Companies Act and the standards stipulated by the auditing profession. Assurance was provided by the external auditor that internal governance processes within the firm support and demonstrate appropriate independence.

The committee, in consultation with executive management, agreed to the terms of the statutory audit engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

The committee considered and approved all non-audit services. The committee ensured that the scope of non-audit services rendered by the external auditors did not impair auditor independence.

The committee is recommending PricewaterhouseCoopers Inc. for reappointment as the external auditors and Mr. AF Puggia as the designated audit partner for the 2021 financial year.

4. Functions of the Audit and Risk Committee

The detailed duties of the committee are set out in its Charter. In summary, the committee's role is to provide independent oversight of the effectiveness of the Group's control environment, its assurance functions, risk management processes and the integrity of the annual financial statements.

The committee reviewed the accounting policies, significant accounting matters as well as the going concern assessment applicable to the annual financial statements of the Group for the year ended 30 June 2020 and ensured that these financial statements were in compliance with the requirements of International Financial Reporting Standard and the Companies Act.

The committee held discussions with the external auditors on their findings and the results of their audit.

Regarding internal audit, the committee considered the results of reviews performed by internal audit and ensured that processes are put in place by management to take the necessary corrective action where control weaknesses have been identified. The future structure, organisation and resourcing of the Group's internal audit function remains under review by the committee. The strengthening of the internal audit function will be a focus area of the committee's agenda for 2021.

Audit and Risk Committee Report

Functions of the Audit and Risk Committee (continued)

The management of risk at BKB is delegated to the divisional and business units. However, the committee oversees the management of financial and other risks that affect the integrity of financial reporting at BKB.

The committee considered the adequacy and appropriateness of the controls in place to prevent, detect and monitor the occurrence of non-compliance with applicable laws and regulations. The committee is pleased to report that there have been no significant or material incidents of non-compliance with applicable laws and regulations during the year under review.

The COVID-19 pandemic has had a significant impact on all aspects of the Group's operations and finances. The financial and other effects of COVID-19 will be felt by the Group for some time to come. Management have put in place many measures, protocols and processes to ensure the health and safety of the BKB staff and other stakeholders, and also to ensure that operations throughout the Group continue in as normal and an uninterrupted way as is possible under the circumstances. The committee is satisfied with the steps taken by management to identify, evaluate and respond to material risks impacting on the Group's sustainability as a result of the pandemic.

5. Annual Financial Statements

The committee reviewed the annual financial statements of the Group and the Company and is satisfied that they comply with International Financial Reporting Standards in all material aspects and also with the Companies Act.

The committee recommended the annual financial statements to the board of directors for approval on 27 August 2020.

6. Going Concern

The committee reviewed management's plans and projections for both the short- and medium-term. It has reviewed the Group's liquidity, credit lines and cash resources. It has thus satisfied itself as to the going concern status of the Group. This is consistent with the Board's statement regarding the going concern status of the Group which is included on page 22.

7. Expertise and experience of the Chief Financial Officer

The Audit and Risk Committee also satisfied itself that the Chief Financial Officer, Mr J A van Niekerk, has the appropriate expertise and experience.

On behalf of the Audit and Risk Committee

Staple

HC Staple
Chairman: Audit and Risk Committee

27 August 2020

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group’s business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The directors are of the opinion that, based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group’s cash flow forecast for the year to 30 June 2021. In light of this review and the current financial position, they are satisfied that the Company and Group have access to adequate resources to continue their operations for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the Company and Group's financial statements. The financial statements have been examined by the Company and Group's external auditor and their report is presented on pages 23 to 25.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The annual financial statements for the year ended 30 June 2020, which have been prepared on the going concern basis, were approved by the board on 27 August 2020 and were signed on their behalf by:

Approval of financial statements

D C Louw

J E Stumpf

Group Secretary's Certification

In my opinion as Group Secretary, I hereby confirm, in terms of the Companies Act 71 of 2008, for the year ended 30 June 2020, that the Group has lodged with the Commissioner of Companies all such returns as are required of a public Company in terms of this Act and that all such returns are true, correct and up to date.

Ms. J Oosthuizen
Group Secretary

27 August 2020

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of the Company and the Group for the year ended 30 June 2020.

1. Nature of business

The Company is incorporated and domiciled in South Africa with interests in the Agriculture industry. The activities of the Group are undertaken through the Company and its principal subsidiaries. The Group operates in South Africa and Eswatini.

The Group's business broadly entails the handling and marketing of agricultural products (wool, mohair, grain, sugar, fruit and livestock), the provision of farming requisites, financing and other related activities.

There have been no material changes to the nature of the Group's business from the prior year.

2. Review of financial results and activities

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year, except for the changes in accounting policies as a result of the adoption of IFRS 16 as set out in Note 48.

Full details of the financial position, results of operations and cash flows of the Company and the Group are set out in these consolidated and separate annual financial statements.

3. Share capital

	2020	2019
Authorised	**Number of shares**	
Ordinary shares	200 000 000	200 000 000

	2020	2019	2020	2019
Issued	**R**	**R**	**Number of shares**	
Ordinary shares	4 420 354	4 420 354	88 407 075	88 407 075

There has been no change to the authorized and issued share capital during the year under review.

4. Authority to buy back shares

At the AGM held on 27 November 2019, shareholders gave the company or any of its subsidiaries a general approval in terms of section 48 of the Companies Act 71 of 2008, by way of special resolution, for the acquisition of its own shares. No shares were bought back during the year.

5. Control over unissued shares

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 38 of the Companies Act 71 of 2008. This general authority remains valid until the next AGM.

6. Dividends

The Company's dividend policy is to consider a final dividend in respect of each financial year. At its discretion, the board may consider a special dividend, where appropriate. Depending on the need to retain funds for expansion or operating purposes, the board may pass on the payment of dividends.

At the board meeting on 27 August 2020, the directors proposed a gross dividend to shareholders of 5 cents per share (2019: 10 cents per share). Proposed dividends to be paid will amount to R4 174 333 (2019: R8 840 708).

7. Share incentive scheme

Refer to Note 16 of the consolidated annual financial statements for details of the Group share incentive scheme.

Directors' Report

8. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Nationality	Changes
J E Stumpf	Chief Executive Officer	Executive	South Africa	Appointed 1 February 2020
A S du Toit	Executive Director	Executive	South Africa	
J A van Niekerk	Financial Director	Executive	South Africa	Appointed 1 May 2020
D C Louw	Chairman	Non-executive	South Africa	
G E J Kingwill	Vice-Chairman	Non-executive	South Africa	
P G Carshagen		Non-executive	South Africa	Appointed 9 July 2019
C D Hobson		Non-executive	South Africa	
J F Janse van Rensburg		Non-executive	South Africa	Appointed 9 July 2019
M H Jonas		Non-executive	South Africa	
E A Meyer		Non-executive	South Africa	
V Pillay		Non-executive	South Africa	
H C Staple		Non-executive	South Africa	
H J Swart		Non-executive	South Africa	

Mr W Edmayr retired as a director on 31 December 2019.

9. Directors' interests in shares

As at 30 June 2020, the directors of the Company held direct and indirect beneficial interests in 2.11% (2019: 6%) of its issued ordinary shares, as set out below.

	Number of Shares	
	2020	**2019**
Non-executive directors	1 866 934	2 198 423
Executive directors	-	2 966 074
Total	**1 866 934**	**5 164 497**

The register of interests of directors and others in shares of the Company is available to the shareholders upon request.

There have been no changes in beneficial interests that occurred between the end of the reporting period and the date of this report.

10. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the Group had an interest and which significantly affected the business of the Group.

11. Interests in subsidiaries, associates and joint arrangements

Details of material interests in subsidiary companies are presented in the consolidated annual financial statements in note 7.

Apart from Atlanta Investments (Pty) Ltd, Atlanta Products (Pty) Ltd, Oceanic Swaziland (Pty) Ltd and Lihoai Consultancy (Pty) Ltd, all subsidiaries are incorporated in South Africa.

There were no significant acquisitions or divestitures during the year ended 30 June 2020.

12. Events after the reporting period

The COVID-19 pandemic has developed very rapidly in 2020 and the spread of the disease has severely affected both the local and global economies. The measures taken by Government in South Africa and those countries where the BKB Group does business have had a negative effect on all business activity. The effects of this will be felt by the Group. As mentioned elsewhere in the annual report, the Group has taken action to mitigate the impact of the pandemic on its business, operations and its people. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of Government responses, remains uncertain at this time.

The Directors are not aware of any other material events occurring after the reporting date and up to the date of this report that would have a material impact on these annual financial statements.

13. Going concern

On 30 January 2020, the World Health Organisation declared the COVID-19 outbreak as a public health emergency of international concern. During March 2020, the South African Government declared a state of national disaster due to the pandemic. The nation-wide lockdown has had a severe impact on the local economy. The pandemic has had a significant impact on the global economy and those markets on which the Group depends for its revenues.

- ***Revenue and underlying profit:*** Whilst the Group remained open to trade as an essential service during the lockdown, the pandemic has had a negative impact on its revenue streams. The effects of the COVID-19 pandemic, particularly on the Group's local and foreign markets, is being continuously monitored and assessed. Future revenue streams and costs are expected to be affected in both the short and medium term. Action plans are in place and have been implemented to minimize the impact of the pandemic on BKB's operations. The COVID-19 effects on revenue and profit for the year under review are disclosed under the commentary to the annual financial statements.

- ***Impairment of assets:*** Lower profitability from operations which is influenced by the pandemic is a likely indicator of impairment. A valuation was performed on the Port Elizabeth office and fibre warehouse property with no indication of impairment.

  The Group measures expected credit loss (ECL) on trade debtors' quantitative and qualitative information based on the Group's historical experience, informed credit assessment on specific customers and/or industrial sectors and information available at the reporting date about current economic conditions and forecasts of future economic conditions. Due to the financial uncertainty arising from COVID-19, the Group has increased the relevant expected loss rates for trade receivables based on its judgement as to the impact of COVID-19 and the subdued economy on trade receivables. However, it must be noted that it is challenging to determine the full extent of the impact as COVID-19 and the ECL presented are subject to this uncertainty and could differ from the actual impairments incurred in the future.

- ***Interventions:*** Various immediate interventions were instituted following the pandemic. Cash flow was maximized through reducing working capital by R137 million as well as only allowing for essential capital expenditure. Further measures such as freezing salary increases and cutting non-essential costs resulted in expense savings.

While it is not possible to reliably estimate the duration of the pandemic and severity of its consequences, as well as the impact and financial position and results of the Group for future periods, based on the current information and forecasts, the Group's cash and liquidity position remains sound.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

14. Auditors

PricewaterhouseCoopers Inc. continued in office as auditors for the Company and its subsidiaries for 2020.

At the AGM, the shareholders will be requested to reappoint PricewaterhouseCoopers Inc. as the independent external auditors of the Group and to confirm Mr. AF Puggia as the designated lead audit partner for the 2021 financial year.

15. Secretary

The Company secretary is Ms. J Oosthuizen.

Business address:	61 Grahamstown Road North End Port Elizabeth 6001

16. Registered Office

The Company's registered office is at 61 Grahamstown Road, North End, Port Elizabeth.

Independent auditor's report

To the Shareholders of BKB Limited

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of BKB Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

BKB Limited's consolidated and separate financial statements set out on pages 26 to 89 comprise:

- the consolidated and separate statements of financial position as at 30 June 2020;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled “BKB Limited and its Subsidiaries Annual Financial Statements for the year ended 30 June 2020”, which includes the Company Secretary’s Certification, Directors’ Report and the Audit and Risk Committee Report as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor’s report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

PricewaterhouseCoopers Inc.
Director: AF Puggia
Registered Auditor
Port Elizabeth
27 August 2020

Statements of Financial Position as at 30 June 2020

		Group		Company	
		2020	2019	2020	2019
	Notes	R'000	R'000	R'000	R'000
ASSETS					
Non-current assets					
Property, plant and equipment	2	844 666	836 327	405 180	402 652
Right-of-use assets	3	56 140	-	32 551	-
Investment property	4	35 528	35 528	1 517	1 517
Intangible assets	5	91 592	113 870	26 065	31 612
Investment in subsidiaries	8	-	-	311 250	296 250
Loans to group companies	7	-	-	90 150	3 030
Trade and other receivables	11	24 578	55 416	13 823	13 988
Deferred tax assets	9	23 170	23 195	-	-
		1 075 674	1 064 336	880 536	749 049
Current assets					
Inventories	10	750 691	846 661	324 839	310 935
Loans to group companies	7	-	-	316 941	534 494
Trade and other receivables	11	882 662	771 437	547 808	451 384
Derivatives	12	13 381	8 484	-	-
Other financial assets	13	317	4 584	-	-
Current income tax assets		2 770	5 193	1 751	1 572
Cash and cash equivalents	14	75 139	57 187	47 227	4 110
		1 724 960	1 693 546	1 238 566	1 302 495
Total assets		2 800 634	2 757 882	2 119 102	2 051 544
EQUITY					
Capital and reserves					
Share capital	15	4 420	4 420	4 420	4 420
Share premium account		218 950	218 950	197 583	197 583
Treasury shares		(120 713)	(120 650)	-	-
Non-distributable reserves		151 458	158 553	146 778	146 778
Distributable reserves		921 191	914 313	695 473	668 354
Non-controlling interest		-	8 712	-	-
Total equity		1 175 306	1 184 298	1 044 254	1 017 135
LIABILITIES					
Non-current liabilities					
Borrowings	18	137 170	162 133	92 191	106 160
Lease liabilities	3	51 035	-	33 098	-
Post-retirement medical aid liabilities	20	6 802	7 402	6 802	7 402
Deferred tax liabilities	9	47 776	65 371	32 304	32 856
Provisions	21	8 086	7 148	8 086	7 148
		250 869	242 054	172 481	153 566
Current liabilities					
Trade and other payables	22	603 267	450 950	270 608	214 331
Loans from group companies	17	-	-	45 436	8 798
Borrowings	18	657 012	693 949	584 239	640 413
Financial liabilities at fair value	19	26 173	79 045	-	-
Derivatives	12	5 869	-	285	-
Lease liabilities	3	8 685	-	1 799	-
Current income tax liabilities		884	1 156	-	-
Bank overdrafts	14	72 569	106 430	-	17 301
		1 374 459	1 331 530	902 367	880 843
Total liabilities		1 625 328	1 573 584	1 074 848	1 034 409
Total equity and liabilities		2 800 634	2 757 882	2 119 102	2 051 544

Statements of Profit or Loss and Other Comprehensive Income

		Group		Company	
			Restated		
		2020	2019	2020	2019
	Notes	R'000	R'000	R'000	R'000
Value of business conducted	23	11 100 715	11 428 667	5 358 825	5 867 231
Revenue from contracts with customers	24	4 992 180	4 768 499	2 496 012	2 649 123
Cost of sales	25	(4 020 683)	(3 752 629)	(1 945 544)	(2 084 869)
Gross profit		971 497	1 015 870	550 468	564 254
Other operating income	26	42 817	46 851	17 020	19 364
Administrative and other expenses	27	(898 091)	(835 209)	(516 157)	(482 182)
Impairment of financial assets	27	(11 873)	(9 595)	(4 755)	(10 164)
Impairment of financial assets - share transaction	28	-	(115 215)	-	(115 215)
Legal and professional fees - share transaction	28	-	(14 222)	-	(14 222)
Operating profit/(loss)		104 350	88 480	46 576	(38 165)
Dividends from subsidiaries		-	-	20 021	25 900
Finance income	29	3 841	20 323	41 961	47 126
Finance costs	30	(89 423)	(62 114)	(68 071)	(39 990)
Profit/(loss) before taxation		18 768	46 689	40 487	(5 129)
Income tax expense	31	(10 200)	(22 402)	(4 527)	169
Profit/(loss) for the year		8 568	24 287	35 960	(4 960)
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Movement in reserve on revaluation of properties		2 545	2 891	-	-
Gains on property revaluations		3 535	3 993	-	-
Income tax relating to items that will not be reclassified		(990)	(1 102)	-	-
Items that will be reclassified to profit or loss:					
Movement in cash flow hedge reserve		(10 156)	17 298	-	-
Fair value adjustments to cash flow hedge reserve		(43 660)	1 972	-	-
Reclassification to profit or loss		29 554	21 937	-	-
Income tax relating to items that may be reclassified		3 950	(6 611)	-	-
Other comprehensive (loss)/income for the year net of taxation		(7 611)	20 189	-	-
Total comprehensive income/(loss) for the year		957	44 476	35 960	(4 960)
Profit attributable to:					
Owners of the parent		15 303	25 641		
Non-controlling interest		(6 735)	(1 354)		
		8 568	24 287		
Total comprehensive income attributable to:					
Owners of the parent		14 472	41 793		
Non-controlling interest		(13 515)	2 683		
		957	44 476		
Basic earnings per share (cents)	32	19.4	28.7		
Diluted earnings per share (cents)	32	19.4	28.7		
Dividends per share (cents)	32	10.0	58.0		

Statements of Changes in Equity

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Share capital				
Balance at the beginning of the year	4 420	4 653	4 420	4 653
Shares re-purchased	-	(233)	-	(233)
Balance at the end of the year	4 420	4 420	4 420	4 420
Share premium account				
Balance at the beginning of the year	218 950	319 082	197 583	299 717
Premium on shares re-purchased	-	(102 134)	-	(102 134)
Premium on issue of shares	-	2 002	-	-
Balance at the end of the year	218 950	218 950	197 583	197 583
Treasury shares				
Balance at the beginning of the year	(120 650)	(33 775)	-	-
Share movement during the year	(63)	(86 875)	-	-
Balance at the end of the year	(120 713)	(120 650)	-	-
Non-distributable reserves				
Reserve on revaluation of properties				
Balance at the beginning of the year	152 945	150 338	143 706	143 856
Revaluations	3 535	3 807	-	-
Deferred tax on revaluations	(990)	(1 050)	-	-
Purchase of 25% shares in Fruits du Sud (Pty) Ltd	134	-	-	-
Transfer to distributable reserves	-	(150)	-	(150)
Balance at the end of the year	155 624	152 945	143 706	143 706
Cash flow hedge reserve				
Balance at the beginning of the year	2 536	(10 859)	-	-
Fair value adjustments to cash flow hedge reserve	(34 243)	2 524	-	-
Reclassification to profit or loss	29 554	15 964	-	-
Income tax relating to items that may be reclassified	1 313	(5 093)	-	-
Purchase of 25% shares in Fruits du Sud (Pty) Ltd	(6 398)	-	-	-
Balance at the end of the year	(7 238)	2 536	-	-
Black economic empowerment reserve				
Balance at the beginning and end of the year	2 439	2 439	2 439	2 439
Unissued share reserve				
Balance at the beginning and end of the year	633	633	633	633
	151 458	158 553	146 778	146 778
Distributable reserves				
Retained earnings				
Balance at the beginning of the year	914 313	944 653	668 354	729 971
Change in accounting policy	-	(5 427)	-	(3 876)
Deferred tax on change in accounting policy	-	1 520	-	986
Profit for the year	15 303	25 641	35 960	(4 960)
Dividends	(7 886)	(52 282)	(8 841)	(53 975)
Purchase of 25% shares in Fruits du Sud (Pty) Ltd	(539)	-	-	-
Transfer from revaluation reserve	-	208	-	208
Balance at the end of the year	921 191	914 313	695 473	668 354
Non-controlling interest				
Balance at the beginning of the year	8 712	6 029	-	-
Loss for the year	(6 735)	(1 354)	-	-
Other comprehensive loss	(6 780)	4 037	-	-
Sale of non-controlling interest in Fruits du Sud (Pty) Ltd	4 803	-	-	-
Balance at the end of the year	-	8 712	-	-
	1 175 306	1 184 298	1 044 254	1 017 135

BKB LIMITED AND ITS SUBSIDIARIES
(Registration number 1998/012435/06)
Annual Financial Statements for the year ended 30 June 2020

Statements of Cash Flows

	Notes	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Cash flow from operating activities					
Cash receipts from customers		11 032 307	11 420 141	5 279 421	5 776 309
Cash paid to suppliers and employees		(10 746 760)	(11 425 908)	(5 265 261)	(5 792 850)
Cash generated from/(used in) operating activities	33	285 548	(5 767)	14 160	(16 541)
Finance income	29	3 841	8 476	41 961	35 279
Finance costs	30	(89 423)	(62 114)	(68 071)	(39 990)
Taxation paid	34	(22 659)	(52 101)	(5 258)	(26 920)
		177 307	(111 506)	(17 208)	(48 172)
Cash flow from investing activities					
Purchase of property, plant and equipment		(56 753)	(40 641)	(18 671)	(29 189)
Sale of property, plant and equipment		11 202	5 729	2 783	2 269
Purchase of investment property		-	(60)	-	-
Purchase of non-controlling interest		(2 000)	-	-	-
Purchase of other intangible assets		(2 926)	(25 266)	(693)	(22 300)
Business combinations		(1 500)	-	-	-
Sale of other intangible assets		-	13	2 319	13
Increase in investment in subsidiaries		-	-	(15 000)	-
Decrease/(increase) in non-current receivables		30 838	(2 217)	165	(636)
Loans repaid/(advanced) to group companies		-	-	167 071	(233 249)
Dividends received from group companies		-	-	20 021	25 900
		(21 139)	(62 442)	157 995	(257 192)
Cash flow from financing activities					
Loan advanced to Maruwa - share transaction		-	(417 663)	-	(417 663)
Repayment of loan advanced to Maruwa - share transaction		-	132 012	-	132 012
Dividends paid		(7 886)	(52 282)	(8 841)	(53 975)
Cash paid on share movements		(63)	(4 957)	-	-
Proceeds from borrowings		123 104	210 950	-	110 000
Repayment of borrowings		(125 004)	(108 353)	(10 143)	(2 979)
Proceeds from financial liabilities at fair value through profit or loss		1 013 423	1 071 819	-	-
Repayments of financial liabilities at fair value through profit or loss		(1 040 092)	(1 026 774)	-	-
Principal elements of lease payments		(7 836)	-	(1 385)	-
		(44 354)	(195 248)	(20 369)	(232 605)
Total cash movement for the year		111 813	(369 196)	120 418	(537 969)
Cash and cash equivalents beginning of the year		(49 243)	(10 255)	(13 191)	44 571
Movement in cash credit accounts		(60 000)	330 208	(60 000)	480 207
Cash and cash equivalents end of the year	14	2 570	(49 243)	47 227	(13 191)

Notes to the Financial Statements

1 Segmental information

The Group has identified reportable segments which represent the structure used by the board of directors and executive management to make key strategic and operating decisions and assess performance.

The Group has eight reportable segments within which the Group's strategic business units (SBUs) fall.

These reportable segments as well as the products and services from which each of them derive revenue are set out below:

Reportable segment	Products and services
Brokerage services	Comprises marketing by auction, trading, warehousing and logistics of wool and mohair for both the producer and buyer.
Trading	Comprises retail trading branches throughout the country specializing in agricultural requisites.
Livestock and properties	Comprises the marketing and auctioneering of livestock, general farming implements and agricultural, commercial and residential properties.
Technology	Comprises the digital transformation business units.
Leasing of properties	The leasing of warehouse and office space.
Fruit	Comprises the processing, distribution and marketing of dried fruits, predominantly in foreign markets.
Grain	Comprises the trading in grain commodities, grain storage and handling, maize milling and lucerne processing.
Sugar	Comprises the packaging, distribution and sales of sugar and agro based consumer goods.

The SBUs offer different services and are managed separately as they require different skills, technology and marketing strategies.

Segmental revenue and results

The executive directors assess the performance of the operating segments based on a measure of adjusted value of business conducted, revenue and profit before tax. This measurement basis includes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event.

Operating segments	Segment revenue - internal	Segment revenue - external	Profit/ (loss) before tax	Depreciation and amortisation	Human resource/ staff costs	Net finance (expense)/ income	Taxation
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2020							
Brokerage services	-	775 624	25 243	(11 531)	(155 056)	(24 720)	(7 071)
Trading	-	1 774 762	27 785	(7 339)	(90 834)	(26 069)	(7 780)
Livestock and properties	-	176 414	13 884	(8 529)	(96 778)	(6 663)	(3 925)
Technology	-	21 000	(10 129)	(753)	(12 026)	(333)	(3 212)
Leasing of properties	37 463	4 767	24 209	(593)	(422)	(1 599)	(6 775)
Fruit	-	358 039	(56 847)	(6 036)	(8 699)	(27 948)	15 768
Grain	458	995 033	1 017	(918)	(38 555)	(27 501)	551
Sugar	-	882 556	40 927	(2 474)	(19 027)	(251)	(12 012)
All other segments	93 259	3 985	(47 321)	(2 919)	(46 079)	29 502	14 256
Total	131 180	4 992 180	18 768	(41 092)	(467 476)	(85 582)	(10 200)
2019							
Brokerage services	-	834 714	84 258	(5 839)	(134 171)	(17 989)	(23 592)
Trading	-	1 768 177	24 654	(4 118)	(87 693)	(23 346)	(6 903)
Livestock and properties	-	203 911	39 718	(6 158)	(91 321)	(8 285)	(11 501)
Technology	-	16 093	(2 273)	(576)	(6 694)	8	555
Leasing of properties	35 699	4 903	26 286	(677)	(392)	(2 021)	(7 360)
Fruit	-	408 481	(7 908)	(5 440)	(9 622)	(24 759)	2 492
Grain	245	804 088	11 967	(2 415)	(35 685)	(17 228)	(3 306)
Sugar	-	725 578	20 160	(6 425)	(16 329)	(4 041)	(5 917)
All other segments	81 894	2 554	(150 173)	(2 991)	(46 255)	55 870	33 130
Total	117 838	4 768 499	46 689	(34 639)	(428 162)	(41 791)	(22 402)

1 Segmental information (continued)

Segment assets and liabilities

The amounts provided to the board of directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Investments in shares held by the Group are not considered to be segment assets and are not allocated to segments.

Capital expenditure reflects additions to non-current assets, other than financial instruments, deferred tax assets, post employment benefit assets and rights arising under insurance contracts.

The amounts provided to the board of directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The table below provides information on segment assets and liabilities as well as a reconciliation to total assets and liabilities as per the statements of financial position.

	2020		2019	
	Total assets R'000	Total liabilities R'000	Total assets R'000	Total liabilities R'000
Brokerage services	566 832	155 421	461 868	47 637
Trading	444 595	316 096	434 136	319 725
Livestock and properties	261 783	107 716	311 285	157 774
Technology	20 239	31 919	14 921	13 259
Leasing of properties	588 751	76 214	581 588	80 616
Fruit	387 947	430 015	467 877	456 568
Grain	617 092	390 668	668 441	457 675
Sugar	209 704	63 906	207 723	86 001
All other segments	210 531	560 213	440 304	784 590
Total	3 307 474	2 132 168	3 588 143	2 403 845
Reconciling items				
Inter-segment loans	(506 840)	(506 840)	(830 261)	(830 261)
Total as per statements of financial position	2 800 634	1 625 328	2 757 882	1 573 584

Geographical information

	2020			2019		
	Revenue - internal R'000	Revenue - external R'000	Non-current Assets R'000	Revenue - internal R'000	Revenue - external R'000	Non-current Assets R'000
South Africa	131 180	4 983 269	996 908	117 838	4 757 727	957 098
Eswatini	-	8 911	54 188	-	10 772	51 822
Total	131 180	4 992 180	1 051 096	117 838	4 768 499	1 008 920

Non-current assets reconcile to the statements of financial position through Investments and Non-current receivables of R24.6 million (2019: R55.4 million).

Notes to the Financial Statements

2 Property, plant and equipment

	Land and buildings	Plant and machinery	Motor vehicles	Furniture and fixtures	Office equipment	Computer equipment	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group							
Year ended 30 June 2020							
Opening net book value	442 998	303 792	74 051	4 872	4 657	5 957	836 327
Additions	3 816	31 287	13 990	1 014	629	6 017	56 753
Disposals	(889)	(2 419)	(4 545)	(42)	(1)	(526)	(8 422)
Transfers	2 633	(2 821)	-	(36)	108	116	-
Revaluations	3 535	-	-	-	-	-	3 535
Depreciation	(642)	(26 737)	(10 680)	(814)	(1 194)	(3 460)	(43 527)
Closing net book value	451 451	303 102	72 816	4 994	4 199	8 104	844 666
At 30 June 2020							
Cost or fair value	452 279	401 539	119 502	11 741	11 876	31 537	1 028 474
Accumulated depreciation	(828)	(98 437)	(46 686)	(6 747)	(7 677)	(23 433)	(183 808)
Net book amount	451 451	303 102	72 816	4 994	4 199	8 104	844 666
Year ended 30 June 2019							
Opening net book value	429 538	253 102	72 228	4 099	3 339	5 194	767 500
Additions	10 371	73 640	15 274	1 526	2 458	4 254	107 523
Acquired through business combinations	-	355	680	-	-	-	1 035
Disposals	(435)	(1 749)	(4 255)	(18)	(6)	(62)	(6 525)
Transfers	-	-	-	(16)	16	-	-
Revaluations	3 993	-	-	-	-	-	3 993
Depreciation	(469)	(21 556)	(9 876)	(719)	(1 150)	(3 429)	(37 199)
Closing net book value	442 998	303 792	74 051	4 872	4 657	5 957	836 327
At 30 June 2019							
Cost or fair value	444 664	420 026	122 984	11 309	11 641	27 270	1 037 894
Accumulated depreciation	(1 666)	(116 234)	(48 933)	(6 437)	(6 984)	(21 313)	(201 567)
Net book amount	442 998	303 792	74 051	4 872	4 657	5 957	836 327

	Land and buildings	Plant and machinery	Motor vehicles	Furniture and fixtures	Office equipment	Computer equipment	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Company							
Year ended 30 June 2020							
Opening net book value	318 166	40 360	32 066	3 988	4 176	3 896	402 652
Additions	2 076	7 710	4 196	480	492	3 717	18 671
Disposals	-	(642)	(1 782)	(23)	(1)	(504)	(2 952)
Depreciation	-	(4 875)	(4 694)	(560)	(977)	(2 085)	(13 191)
Closing net book value	320 242	42 553	29 786	3 885	3 690	5 024	405 180
At 30 June 2020							
Cost or fair value	320 242	69 763	58 392	9 276	10 027	21 964	489 664
Accumulated depreciation	-	(27 210)	(28 606)	(5 391)	(6 337)	(16 940)	(84 484)
Net book amount	320 242	42 553	29 786	3 885	3 690	5 024	405 180

Notes to the Financial Statements

2 Property, plant and equipment (continued)

	Land and buildings	Plant and machinery	Motor vehicles	Furniture and fixtures	Office equipment	Computer equipment	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Year ended 30 June 2019							
Opening net book value	308 230	39 050	30 844	3 326	2 721	3 907	388 078
Additions	10 371	5 456	6 244	1 167	2 351	2 565	28 154
Acquired through business combinations	-	355	680	-	-	-	1 035
Disposals	(435)	(565)	(1 313)	-	(2)	(26)	(2 341)
Depreciation	-	(3 936)	(4 389)	(505)	(894)	(2 550)	(12 274)
Closing net book value	318 166	40 360	32 066	3 988	4 176	3 896	402 652
At 30 June 2019							
Cost or fair value	318 166	62 933	57 494	9 216	9 897	19 619	477 325
Accumulated depreciation	-	(22 573)	(25 428)	(5 228)	(5 721)	(15 723)	(74 673)
Net book amount	318 166	40 360	32 066	3 988	4 176	3 896	402 652

Net carrying amounts of assets under instalment sale agreements

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Plant and machinery	69 665	102 424	-	-
Motor vehicles	6 720	3 438	-	-
	76 384	105 862	-	-

Revaluations

The Group's land and buildings are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed every three years, except for land and buildings situated in rural areas, which are valued every five years.

Refer to note 43 for specific details regarding the valuation of the land and buildings.

The carrying value of the revalued assets under the cost model would have been:

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Land and buildings	232 530	230 245	120 108	118 032

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the Company.

Included in the Group value of buildings above is a 50% share of the property owned by Bethlehem Veilingskrale (Pty) Ltd. The 50% interest is valued at R1 050 000 (2019: R1 050 000).

The cost of assets includes assets in progress to the value of R2 715 607 (2019: R3 556 468) for the Group and R757 472 (2019: R3 368 441) for the Company.

Notes to the Financial Statements

3 Leases

The Group leases offices, warehouses, retail stores, equipment and forklifts. Rental contracts are typically for fixed periods, ranging from six months to thirty years. This note provides information for leases where the Group is a lessee.

Amounts recognised in the Statements of Financial Position
The statements of financial position show the following amounts relating to leases:

	Group		Company	
	2020 R'000	**1 July 2019 R'000**	**2020 R'000**	**1 July 2019 R'000**
Right-of-use assets				
Buildings	47 898	54 272	29 325	32 169
Equipment	2 142	2 159	-	-
Vehicles	6 100	5 577	3 226	2 341
	56 140	62 007	32 551	34 510
Lease liabilities				
Current	8 685	8 472	1 799	1 540
Non-Current	51 035	53 535	33 098	32 970
	59 720	62 007	34 897	34 510
Additions to the right-of-use assets during the year were	5 549	-	1 772	-

Amounts recognised in the Statements of Profit or Loss
The statements of profit or loss shows the following amounts relating to leases:

	Group		Company	
	2020 R'000	**2019 R'000**	**2020 R'000**	**2019 R'000**
Depreciation charge of right-of-use assets				
Buildings	8 412	-	3 038	-
Equipment	685	-	-	-
Vehicles	2 319	-	693	-
	11 416	-	3 731	-
Interest expense	5 926	-	3 261	-
Expenses relating to short-term leases	17 586	-	2 036	-
Expenses relating to leases of low-value assets	6 283	-	252	-
Expenses relating to variable lease payments	9 239	-	961	-
Total cash outflows for leases were	46 870	-	7 895	-

Variable lease payments
Some property leases contain variable payment terms that are linked to value of business generated at auctions. Lease payments are calculated on the basis of 1% of value of business. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for auctions held. Variable lease payments that depend on turnover are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

4 Investment property

	Group		Company	
	2020 R'000	**2019 R'000**	**2020 R'000**	**2019 R'000**
Balance at the beginning of the year	35 528	35 468	1 517	1 517
Additions	-	60	-	-
Balance at the end of the year	35 528	35 528	1 517	1 517
Amounts recognised in profit and loss for the year				
Rental income	4 863	5 192	1 108	1 461
Direct operating expenses	(3 155)	(3 040)	(656)	(634)

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the Company.

Notes to the Financial Statements

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
5 Intangible Assets				
Goodwill				
Balance at the beginning of the year	63 539	59 039	4 500	-
Acquired through business combinations	-	4 500	-	4 500
Impairment	(1 861)	-	-	-
Balance at the end of the year	61 678	63 539	4 500	4 500
Goodwill relates to the acquisitions of:				
Atlanta Products (Pty) Ltd	19 346	19 346	-	-
BKB Van Wyk (Pty) Ltd	16 216	16 216	-	-
BKBLouwid (Pty) Ltd	6 876	6 876	-	-
Fruits Du Sud (Pty) Ltd	-	1 861	-	-
Grainco (Pty) Ltd	13 716	13 716	-	-
Riverview - BKB Limited	4 500	4 500	4 500	4 500
Wool and Mohair Exchange NPC	1 024	1 024	-	-
	61 678	63 539	4 500	4 500
Goodwill allocation per operating segment:				
Fruit	-	1 861	-	-
Grain	13 716	13 716	-	-
Leasing of properties	1 024	1 024	-	-
Livestock and properties	27 592	27 592	4 500	4 500
Sugar	19 346	19 346	-	-
	61 678	63 539	4 500	4 500
Trade rights				
Balance at the beginning of the year	11 576	3 644	11 576	3 644
Additions	-	3 500	-	3 500
Acquired through business combinations	-	5 152	-	5 152
Amortisation	(1 087)	(720)	(1 087)	(720)
Balance at the end of the year	10 489	11 576	10 489	11 576
Cost	12 652	12 652	12 652	12 652
Accumulated amortisation and impairment	(2 163)	(1 076)	(2 163)	(1 076)
	10 489	11 576	10 489	11 576
Trade rights comprises of:				
Trade rights - Beaufort West driveway	3 111	3 378	3 111	3 378
Trade rights - Hanover driveway	3 100	3 340	3 100	3 340
Auction rights - Riverview Trading	1 710	1 890	1 710	1 890
Auction rights - Slabbert,Verster & Malherbe	2 568	2 968	2 568	2 968
	10 489	11 576	10 489	11 576
Brand names				
Balance at the beginning of the year	15 193	18 075	-	-
Impairment	(10 490)	-	-	-
Amortisation	(2 882)	(2 882)	-	-
Balance at the end of the year	1 821	15 193	-	-
Cost	28 022	28 022	-	-
Accumulated amortisation and impairment	(26 201)	(12 829)	-	-
	1 821	15 193	-	-
Brand names comprises of:				
BKB Van Wyk (Pty) Ltd	1 821	2 081	-	-
Fruits Du Sud (Pty) Ltd	-	13 112	-	-
	1 821	15 193	-	-

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
5 Intangible Assets (continued)				
Client lists and relationships				
Balance at the beginning of the year	7 195	10 694	3 871	-
Acquired through business combinations	1 500	4 011	-	4 011
Amortisation	(2 851)	(7 510)	(420)	(140)
Impairment	(1 143)	-	-	-
Balance at the end of the year	4 701	7 195	3 451	3 871
Cost	68 624	67 374	4 011	4 011
Accumulated amortisation and impairment	(63 923)	(60 179)	(560)	(140)
	4 701	7 195	3 451	3 871
Client lists and relationships comprises of:				
Atlanta Products (Pty) Ltd	-	1 037	-	-
Fruits Du Sud (Pty) Ltd	-	2 287	-	-
Riverview Trading	3 451	3 871	3 451	3 871
Solomons & Crafford	1 250	-	-	-
	4 701	7 195	3 451	3 871
Computer software				
Balance at the beginning of the year	16 367	11 864	11 665	8 745
Additions	2 926	8 103	693	5 137
Disposals	-	(13)	(2 319)	(13)
Amortisation	(4 109)	(3 587)	(2 414)	(2 204)
Impairment	(2 281)	-	-	-
Balance at the end of the year	12 903	16 367	7 625	11 665
Cost	35 063	35 030	23 288	24 913
Accumulated amortisation and impairment	(22 160)	(18 663)	(15 663)	(13 248)
	12 903	16 367	7 625	11 665
	91 592	113 870	26 065	31 612

The cost of assets includes assets in progress to the value of R163 342 (2019: R4 245 775) for the Group and Company. The remaining useful lives for intangible assets carried at amortised cost is six to nine years for brand names, one to three years for client lists, 13 years for trade rights and two to eight years for computer software.

6 Impairment of assets

Value in use

Goodwill is allocated to the Group's cash-generating units (CGU's) identified according to internal Company structure and/or business segment. The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. The calculations use cash flow projections based on financial budgets approved by management, and a terminal value, where applicable. The discount rates used in the impairment calculations were determined based on the weighted average cost of capital (WACC).

The period over which management has projected cash flows is based on financial budgets approved by management for the next financial year which was then further projected for another four years.

The growth rate used to extrapolate cash flow projections beyond the period covered in the calculation was based on most recent budgets.

Significant assumption used

PaKHouse Brands	**Atlanta Products (Pty) Ltd**	**Fruits du Sud (Pty) Ltd**	**GrainCo (Pty) Ltd**
Revenue growth rate	7.0%	7.8%	3.0%
Terminal growth rate	3.5%	4.0%	3.0%
Gross profit percentage	5.2%	19.8%	65.0%
Post-tax discount rate	14.3%	15.7%	15.3%
	R'000	**R'000**	**R'000**
Value in use (recoverable amount)	94 210	266 853	154 499
Value in use exceeds/(less than) carrying amount	26 614	(21 799)	23 476

6 Impairment of assets (continued)

Impairment of Fruits du Sud (Pty) Ltd goodwill, client lists and relationships, brand names and computer software of R15 775 000 arose due to the value-in-use impairment calculation. No impairment of goodwill was identified through the value in use calculations of Atlanta Products (Pty) Ltd or Grainco (Pty) Ltd.

Significant assumption used

BKB Agri	BKBLouwid (Pty) Ltd	BKB van Wyk (Pty) Ltd
Revenue growth rate	5.0%	5.0%
Terminal growth rate	2.5%	2.5%
Commission percentage	5.0%	5.9%
Post-tax discount rate	13.7%	13.7%
	R'000	R'000
Value in use (recoverable amount)	66 009	72 373
Value in use exceeds carrying amount	45 505	41 658

No impairment of goodwill arose due to the value-in-use impairment calculations, supporting current carrying values.

Sensitivity of key assumptions

The impairment tests were performed at 30 June 2020. The recoverable amounts were determined on the basis of the value-in-use using the discounted cash flow method. The basis for projecting future cash flows is the business plans prepared by management for the five years 2021 to 2025. These plans take into consideration historical empirical values and management's expectations regarding the future development of the relevant markets. The impairment tests took into account the assumptions tabled above.

The recoverable amounts of the cash-generating units would equal their carrying amounts if management assumptions were changed to the following:

Impact of changes in key assumptions	Revenue growth rate	Gross profit
Atlanta Products (Pty) Ltd	2.1%	4.7%
GrainCo (Pty) Ltd	-10.0%	61.0%
BKBLouwid (Pty) Ltd	3.1%	-
BKB van Wyk (Pty) Ltd	-3.3%	-

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
7 Loans to group companies				
The House of Fibre (Pty) Ltd	-	-	13 196	315
Lihoai Consultancy (Pty) Ltd	-	-	21	-
Billsons Coutts (Pty) Ltd	-	-	8 411	10 602
Core Merino (Pty) Ltd	-	-	-	-
BKBLouwid (Pty) Ltd	-	-	14 812	20 319
BKB Van Wyk (Pty) Ltd	-	-	-	12 833
BKB SHIFT (Pty) Ltd	-	-	7 432	-
RFID Africa Experts (Pty) Ltd	-	-	16 407	8 490
Wool & Mohair Exchange of South Africa NPC	-	-	5 768	6 274
PaKHouse Brands (Pty) Ltd	-	-	4 591	2 189
Atlanta Sugar (Pty) Ltd	-	-	97	97
Atlanta Sugar SA (Pty) Ltd	-	-	-	2 096
Atlanta Products (Pty) Ltd	-	-	494	-
Grainco Group Holdings (Pty) Ltd	-	-	95 963	87 449
Pakhouse Fruits Holdings (Pty) Ltd	-	-	72 584	70 584
Fruits Du Sud (Pty) Ltd	-	-	172 618	321 852
	-	-	412 394	543 100
Loss allowance - IFRS 9	-	-	(5 303)	(5 576)
	-	-	407 091	537 524

Loans to subsidiaries are payable on demand and interest is charged at the prime related interest rate except for a fixed repayment loan of R3 019 049 included in the Fruits du Sud (Pty) Ltd's balance. The loan is repayable in monthly instalments of R170 046 (2019: R174 320).

Notes to the Financial Statements

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
7 Loans to group companies (continued)				
Non-current assets	-	-	90 150	3 030
Current assets	-	-	316 941	534 494
	-	-	407 091	537 524

8 Investments in subsidiaries

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries.

	Company			
	2020 % holding	2019 % holding	2020 R'000	2019 R'000
BKB Shearing (Pty) Ltd	100%	100%	-	-
Lihoai Consultancy (Pty) Ltd	100%	100%	-	-
Anzomix (Pty) Ltd	100%	100%	-	-
The House of Fibre (Pty) Ltd	100%	100%	-	-
Core Merino (Pty) Ltd	100%	100%	13	13
Billsons Coutts (Pty) Ltd	100%	100%	37 001	37 001
Home & Hectare (Pty) Ltd	100%	100%	-	-
BKBLouwid (Pty) Ltd	100%	100%	7 338	7 338
BKB Van Wyk (Pty) Ltd	100%	100%	5	5
BKB SHIFT (Pty) Ltd	100%	100%	1	1
RFID Africa Experts (Pty) Ltd	100%	100%	-	-
Wool & Mohair Exchange of South Africa NPC	100%	100%	3 966	3 966
PaKHouse Brands (Pty) Ltd	100%	100%	262 926	247 926
Atlanta Sugar (Pty) Ltd	100%	100%	-	-
Atlanta Sugar SA (Pty) Ltd	100%	100%	-	-
Atlanta Investments (Pty) Ltd	100%	100%	-	-
Atlanta Products (Pty) Ltd	100%	100%	-	-
Oceanic Swaziland (Pty) Ltd	100%	100%	-	-
Grainco Group Holdings (Pty) Ltd	100%	100%	-	-
AlphaAlfa (Pty) Ltd	100%	100%	-	-
BKB Grainco (Pty) Ltd	100%	100%	-	-
Grainco (Pty) Ltd	100%	100%	-	-
Gritco Properties (Pty) Ltd	100%	100%	-	-
Pakhouse Fruits Holdings (Pty) Ltd	100%	100%	-	-
Fruits Du Sud (Pty) Ltd	100%	75%	-	-
			311 250	296 250

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
9 Deferred tax				
Analysis of deferred tax asset / (liability)				
Property, plant and equipment	(141 410)	(121 257)	(78 853)	(69 404)
Leases	16 722		9 771	-
Prepayments	-	(485)	-	-
Intangible assets	(1 859)	(6 392)	-	-
Provisions	23 071	19 186	13 673	13 426
Realised capital loss	23 074	23 094	23 074	23 094
Income in advance	(870)	-	31	28
Tax losses available for set off against future taxable income	56 666	43 678	-	-
	(24 606)	(42 176)	(32 304)	(32 856)

Deferred tax assets and liabilities have been offset at individual entity level where the income taxes relate to the same jurisdiction and the law allows net settlement.

Notes to the Financial Statements

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
9 Deferred tax (continued)				
The total net deferred tax liability comprises:				
Deferred tax asset	23 170	23 195	46 549	36 548
Deferred tax liability	(47 776)	(65 371)	(78 853)	(69 404)
	(24 606)	(42 176)	(32 304)	(32 856)
Deferred tax comprises:				
Deferred tax assets recoverable within 12 months	30 727	23 479	14 208	13 454
Deferred tax assets recoverable after 12 months	90 638	63 699	32 342	23 094
Deferred tax liabilities payable within 12 months	(2 089)	(936)	-	-
Deferred tax liabilities payable after 12 months	(143 882)	(128 418)	(78 854)	(69 404)
	(24 606)	(42 176)	(32 304)	(32 856)

Reconciliation of deferred tax asset/(liability)

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Balance at the beginning of the year	(42 176)	(57 823)	(32 856)	(54 298)
Change in accounting policy (IFRS 9)	-	1 520	-	986
Charge to profit or loss	14 610	21 782	552	20 398
Debit to other comprehensive income	2 960	(7 713)	-	-
Realisation of deferred tax on revaluation reserve	-	58	-	58
Balance at the end of the year	(24 606)	(42 176)	(32 304)	(32 856)

Deferred tax has been raised for all unused capital losses in the Group.

Deferred tax has not been raised for deductible temporary differences and unused tax losses in the Group, amounting to R21 234 722 (2019: R473 174) and Company Rnil (2019: Rnil).

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
10 Inventories				
Farming requisites and merchandise	313 726	317 499	244 167	275 800
Wool and mohair inventory	88 341	38 691	85 773	38 691
Fruit inventory	246 365	288 899	-	-
Grain inventory	75 737	165 961	-	-
Sugar inventory	19 246	30 055	-	-
Consumables	17 981	16 767	5 324	7 162
	761 396	857 872	335 264	321 653
Provision for obsolete, slow moving and defective stock	(10 705)	(11 211)	(10 425)	(10 718)
	750 691	846 661	324 839	310 935
Inventory included at net realisable value	96 829	4 075	22 048	3 988
Grain inventory included at market value	41 323	145 289	-	-

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
11 Trade and other receivables				
Financial instruments				
Trade receivables	791 185	735 763	398 619	304 038
Trade receivables - loans to employees	18 957	48 505	10 124	9 551
Loss allowance	(13 905)	(15 766)	(6 656)	(7 113)
Trade receivables at amortised cost	796 237	768 502	402 087	306 476
Receivable from BKB Personnel Share Trust	-	-	102 768	133 565
Other receivables	29 632	23 294	23 731	20 184
Non-financial instruments				
VAT	50 375	15 721	26 207	1 579
Deposits	17 414	12 838	179	174
Prepayments	13 583	6 498	6 659	3 394
	907 241	826 853	561 631	465 372
Non-current assets	24 578	55 416	13 823	13 988
Current assets	882 662	771 437	547 808	451 384
	907 240	826 853	561 631	465 372

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

Group	2020 Gross carrying amount at default	2020 Loss allowance	2019 Gross carrying amount at default	2019 Loss allowance
Expected credit loss rate:				
12 Month expected credit loss				
Specific low risk of default 3.2% (2019: 1.6%)	84 333	(2 676)	137 542	(2 232)
Specific high risk of default 89.4% (2019: 63.5%)	3 855	(3 448)	6 996	(4 439)
Lifetime expected credit loss				
Not past due: 0.8% (2019: 0.7%)	463 763	(3 569)	361 931	(2 429)
Less than 30 days past due: 0.7% (2019: 1.2%)	153 064	(1 144)	145 252	(1 804)
31 - 60 days past due: 1.1% (2019: 1.9%)	51 875	(561)	71 369	(1 325)
61 - 90 days past due: 0.9% (2019: 2.6%)	16 699	(158)	19 749	(512)
91 - 120 days past due: 4.5% (2019: 3.6%)	10 662	(485)	16 850	(611)
More than 120 days past due: 7.2% (2019: 9.8%)	25 891	(1 864)	24 579	(2 414)
Total	810 142	(13 905)	784 268	(15 766)

Company	2020 Gross carrying amount at default	2020 Loss allowance	2019 Gross carrying amount at default	2019 Loss allowance
Expected credit loss rate:				
12 Month expected credit loss				
Specific low risk of default 3.6% (2019: 2.4%)	71 791	(2 570)	79 424	(1 904)
Lifetime expected credit loss				
Not past due: 0.5% (2019:0.8%)	267 889	(1 440)	170 900	(1 385)
Less than 30 days past due: 1.7% (2019:2.7%)	39 045	(673)	29 857	(806)
31 - 60 days past due: 3.9% (2019: 4.2%)	5 039	(195)	4 476	(189)
61 - 90 days past due: 2.8% (2019: 6.6%)	2 256	(64)	4 799	(316)
91 - 120 days past due: 5.2% (2019: 10.4%)	2 237	(117)	3 790	(394)
More than 120 days past due: 7.8% (2019: 10.4%)	20 486	(1 597)	20 343	(2 119)
Total	408 743	(6 656)	313 589	(7 113)

Notes to the Financial Statements

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
11 Trade and other receivables (continued)				
Opening balance in accordance with IFRS 9	(15 766)	(9 532)	(7 113)	(5 710)
Provision raised on new trade receivables	(514)	(2 813)	-	(1 403)
Provisions reversed on settled trade receivables	2 375	1 329	457	-
Reclassification from specific provision (IAS39) to loss allowance (IFRS9)	-	(4 750)	-	-
Closing balance	(13 905)	(15 766)	(6 656)	(7 113)

Concentrations of credit risk

Trade receivables by market:				
Trading	147 380	136 889	159 814	148 073
Fibre buyers	123 119	1 445	101 455	1 445
Production	198 691	243 617	69 978	73 181
Advances	67 372	81 339	67 372	81 339
Grain	102 979	109 622	-	-
Sugar	96 089	100 083	-	-
Fruit	55 555	62 768	-	-
	791 185	735 763	398 619	304 038

Exposure to currency risk

The net carrying amounts, in Rand, of trade receivables are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Rand	751 172	715 333	402 087	306 476
US Dollar	45 065	53 169	-	-
	796 237	768 502	402 087	306 476

12 Derivatives

Foreign exchange contracts (financial asset)	13 381	8 484	-	-
Foreign exchange contracts (financial liability)	(5 869)	-	(285)	-
Net financial asset / (liability)	7 512	8 484	(285)	-

Surety of R15 million provided by BKB Limited for pre-settlement forex forward exchange contracts facilities in Fruits du Sud (Pty) Ltd.

13 Other financial assets

At fair value through profit or loss - held for trading				
Other financial assets	317	4 584	-	-

Other financial assets comprise open forward contracts. Open positions are valued using market-to-market rate of a particular commodity at year end. Commodities traded include soya beans, sunflower seeds, wheat, white maize and yellow maize.

Notes to the Financial Statements

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
14 Cash and cash equivalents				
Cash on hand	416	426	302	297
Bank balances	74 723	56 761	46 925	3 813
Bank overdrafts	(72 569)	(106 430)	-	(17 301)
	2 570	(49 243)	47 227	(13 191)
Current assets	75 139	57 187	47 227	4 110
Current liabilities	(72 569)	(106 430)	-	(17 301)
	2 570	(49 243)	47 227	(13 191)
Summary of securities provided for overdraft facilities:				
Cession of trade receivables (AlphaAlfa & Grainco)	92 063	96 387	-	-
Cession of trade receivables (Atlanta Sugar SA)	94 895	-	-	-
Deed of hypothecation over moveable assets, inventory and trade receivables (Atlanta Products)	10 500	10 500	-	-
Bond over Oceanic Swaziland property	12 000	12 000	-	-
Covering bond over Port Elizabeth property	110 000	110 000	110 000	110 000
Covering bond over rural properties	63 000	63 000	63 000	63 000
General notarial bond over movable grain inventory (AlphaAlfa & Grainco)	70 000	70 000	-	-
Special and notarial bond over movable assets (Grainco)	4 500	4 500	-	-
First covering mortgage bond over properties (Bultfontein & Bethlehem)	53 240	53 240	-	-
	510 198	419 627	173 000	173 000

Summary of surety provided for overdraft facilities:

Unlimited surety provided by Oceanic Swaziland (Pty) Ltd and R5 million surety provided by BKB Limited for overdraft facility in Atlanta Products (Pty) Ltd.

Surety of R400 million provided by BKB van Wyk (Pty) Ltd, Grainco (Pty) Ltd, BKBLouwid (Pty) Ltd, PaKHouse Brands (Pty) Ltd, Atlanta Sugar SA (Pty) Ltd, BKB Grainco (Pty) Ltd and BKB Limited for overdraft facilities in BKBLouwid (Pty) Ltd and BKB Limited.

Surety of R5 million provided by BKB Limited for overdraft facilities in BKB van Wyk (Pty) Ltd.

Surety of R50 million provided by BKB Limited for overdraft facilities in Atlanta Sugar SA (Pty) Ltd.

Joint and several guarantee for R125 million to ABSA Bank Limited in favour of GrainCo Group Holdings (Pty) Ltd by AlphaAlfa (Pty) Ltd, Grainco (Pty) Ltd and Gritco Properties (Pty) Ltd.

Joint and several guarantee for R70 million to ABSA Bank Limited in favour of AlphaAlfa (Pty) Ltd by Grainco (Pty) Ltd and GrainCo Group Holdings (Pty) Ltd.

Joint and several guarantee for R100 million to ABSA Bank Limited in favour of Grainco (Pty) Ltd by Gritco Properties (Pty) Ltd and GrainCo Group Holdings (Pty) Ltd.

Limited suretyship for R2.5 million to Nedbank Limited in favour of BKB Grainco (Pty) Ltd by Grainco (Pty) Ltd and Gritco Properties (Pty) Ltd.

Limited suretyship for R7.2 million in favour of Nedbank Limited to Grainco (Pty) Ltd by Gritco Properties (Pty) Ltd and GrainCo Group Holdings (Pty) Ltd.

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000

15 Share Capital

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Authorised				
200 000 000 (2019: 200 000 000) Ordinary shares with no par value	-	-	-	-
Issued				
88 407 075 (2019: 88 407 075) Ordinary shares with no par value	4 420	4 420	4 420	4 420

	Group 2020 Number	Group 2019 Number	Company 2020 Number	Company 2019 Number
Reconciliation of number of shares in issue				
Balance at the beginning of the year	88 407 075	93 060 078	88 407 075	93 060 078
Share buy-back	-	(4 653 003)	-	(4 653 003)
Balance at the end of the year	88 407 075	88 407 075	88 407 075	88 407 075

Treasury shares

Treasury shares have arisen through the consolidation of the BKB Personnel Share Trust. Details of the Trust's shareholding is as follows:

	Group 2020 Number	Group 2019 Number	Company 2020 Number	Company 2019 Number
Reconciliation of number of shares in issue				
Balance at the beginning of the year	9 547 220	3 545 655	-	-
Acquired by the Trust	4 632	6 797 765	-	-
Disposed of by the Trust	-	(796 200)	-	-
Balance at the end of the year	9 551 852	9 547 220	-	-

16 Share based payments

Share incentive plan

The establishment of the BKB Share Incentive Plan was approved by the board of directors on 24 November 2016. In accordance with BKB's Incentive Policy, eligible employees are provided with the opportunity to acquire the Share Allocation from the BKB Personnel Share Trust at the market price at that date in recognition of their commitment to BKB. They will be allocated Bonus Shares from the Trust, proportionate to the number of shares issued and still in possession of the eligible employee, provided the levels of performance specified in the Incentive Policy are achieved. The bonus shares will be for financial performance for the 2017, 2018, 2019, 2020 and 2021 financial years. Bonus shares shall be made available following upon the end of each financial year, for a period of four years, commencing at the end of the 2017 and 2018 financial years respectively, provided the employee remains in the service of BKB, and is not, at the time, subject to disciplinary proceedings. The total bonus share allocation will amount to 80% of the shares the employee was entitled to purchase and will be awarded 30% for years one and two and 20% for years three and four, provided the performance conditions set at the beginning of each financial year are met. Performance conditions will be 100% dependent on corporate performance in years 2017 to 2019 and 80% dependent on corporate performance and 20% on divisional performance in year 2020 and 2021.

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Liability arising from share based payments				
Amount recognised in bonus accrual	980	5 818	743	4 709

Notes to the Financial Statements

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
17 Loans from group companies				
Subsidiaries				
BKB Shearing (Pty) Ltd	-	-	1 301	441
Home and Hectare (Pty) Ltd	-	-	8 877	8 356
BKB Van Wyk (Pty) Ltd	-	-	35 117	-
BKB SHIFT (Pty) Ltd	-	-	-	1
Atlanta Sugar SA (Pty) Ltd	-	-	141	-
	-	-	45 436	8 798
Current liabilities	-	-	45 436	8 798
	-	-	45 436	8 798

18 Borrowings

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Held at amortised cost				
Secured				
Land and Agricultural Bank of South Africa Limited - Cash credit accounts The cash credit accounts relate to BKB Limited. Bears interest at a rate linked to prime.	569 522	629 522	569 522	629 522
Land and Agricultural Bank of South Africa Limited - Term loan BKB Limited: Repayable in annual instalments of R1 675 010 (2019: R1 600 000). Bears interest at a rate linked to prime.	8 355	10 030	8 355	10 030
First National Bank Limited The loan is repayable in monthly instalments of R1 472 846 (2019: R1 423 373). Bears interest at a rate linked to prime.	98 553	107 021	98 553	107 021
ABSA Bank Limited Commodity finance of lucerne stock and raw material in AlphaAlfa (Pty) Ltd. Bears interest at a rate linked to prime.	52 634	23 211	-	-
Instalment sale agreements	65 118	86 298	-	-
	794 182	856 082	676 430	746 573
Non-current liabilities	137 170	162 133	92 191	106 160
Current liabilities	657 012	693 949	584 239	640 413
	794 182	856 082	676 430	746 573
Land and Agricultural Bank of South Africa Limited - Cash credit accounts and term loan security				
Notarial covering bonds over movable assets (including inventory) of BKB Limited	160 000	160 000	160 000	160 000
Notarial covering bonds over movable assets (including inventory) of Fruits du Sud (Pty) Ltd	180 000	180 000	-	-
Covering bond over rural properties	75 000	75 000	75 000	75 000
Covering bonds over properties in Fruits du Sud (Pty) Ltd	40 000	40 000	-	-
Cession of trade and other receivables (BKB, BKBLouwid, BKB Van Wyk and Fruits du Sud)	539 496	517 245	367 813	300 787

Surety signed by BKB Van Wyk (Pty) Ltd, BKBLouwid (Pty) Ltd, BKB Eiendomme (Pty) Ltd, Wool and Mohair Exchange NPC, BKB Shearing (Pty) Ltd, Billsons Coutts (Pty) Ltd, RFID Experts Africa (Pty) Ltd, Fruits du Sud (Pty) Ltd and PaKHouse Brands (Pty) Ltd.

Notes to the Financial Statements

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
18 Borrowings (continued)				
First National Bank Limited security				
Covering bond over Port Elizabeth properties	110 000	110 000	110 000	110 000
Covering bond over rural properties	63 000	63 000	63 000	63 000

Surety of R400 million signed by BKB Van Wyk (Pty) Ltd, BKBLouwid (Pty) Ltd, BKB Grainco (Pty) Ltd, Grainco (Pty) Ltd, Atlanta Sugar SA (Pty) Ltd and PaKHouse Brands (Pty) Ltd.

ABSA Bank Limited security				
Grain inventory	65 941	27 445	-	-

Instalment sale agreements

Instalment sale agreements are payable over periods from 1 to 5 years at prime linked interest rates repayable in monthly instalments of between R5 324 and R1 154 713 (2019: R5 324 and R1 226 962).

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Minimum instalments due				
- within one year	23 824	35 074	-	-
- in second to fifth year inclusive	49 233	67 995	-	-
	73 057	103 069	-	-
Less: future finance charges	(7 939)	(16 771)	-	-
Present value of instalments	65 118	86 298	-	-
Present value of minimum instalments				
- within one year	20 139	30 325	-	-
- in second to fifth year inclusive	44 979	55 973	-	-
	65 118	86 298	-	-
Instalment sale security				
Motor vehicles	6 720	3 438	-	-
Plant and machinery	69 665	102 424	-	-
	76 384	105 862	-	-

Refer to Note 35 Changes in liabilities arising from financing activities for details of the movement in the borrowings during the reporting period and Note 42 Financial instruments and financial risk management for the fair value of borrowings.

19 Financial liabilities at fair value

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
At fair value through profit or loss				
ABSA Bank Limited	24 595	75 913	-	-
Commodities are financed by ABSA in the form of a loan. The loan is calculated on the short position that the Company transferred to ABSA. The carrying value of the loan changes with respect to the mark-to-market value of the SAFEX commodities. The loan is repayable as the short positions on SAFEX close. This loan is secured by the value of the inventory and bears interest at a rate linked to prime.				
Open forward contracts	1 578	3 132	-	-
Comprise open forward contracts. Open positions are valued using market-to-market rate of a particular commodity at year end. Commodities traded include soya beans, sunflower seeds, wheat, white maize and yellow maize.				
	26 173	79 045	-	-
ABSA Bank Limited Security				
Grain inventory	26 095	75 913	-	-

20 Retirement benefits

Defined benefit plan

The Company contributes to the medical aid costs of certain of the retired employees. The plan is a post employment medical benefit plan.

An actuarial valuation was carried out on 30 June 2020. The annual movement in the balance is analysed as follows:

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Balance at the beginning of the year	7 402	8 363	7 402	8 363
Interest expense	616	692	616	692
Re-measurements	(155)	(492)	(155)	(492)
Contribution payments by employer	(1 061)	(1 161)	(1 061)	(1 161)
Balance at the end of the year	6 802	7 402	6 802	7 402

The amounts recognised in the income statement are as follows:

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Interest cost	616	692	616	692
Re-measurements due to experience adjustments	28	(194)	28	(194)
Re-measurements due to changes in financial assumptions	(183)	(298)	(183)	(298)
	461	200	461	200

Key assumptions used

	Group 2020	Group 2019	Company 2020	Company 2019
Discount rate used	8.11%	8.96%	8.11%	8.96%
Increase in medical costs	8.00%	5.33%	8.00%	5.33%

Currently medical aid subsidies are payable to 48 pensioners (2019: 54) with an average age of 84.3 years (2019: 83.4). The table used to determine the mortality rate is "post employment-PA90(2)". The weighted average duration of the defined benefit obligation is 5.2 years. Expected contributions for the year ending 30 June 2021 are R1 million.

20 Retirement benefits (continued)

As at valuation date, the present value of the defined benefit obligation was comprised as follows:

	2020		2019	
	Number	Defined Benefit obligation R'000	Number	Defined Benefit obligation R'000
BKB members	36	4 183	42	4 958
ECAC members	12	2 619	12	2 444
		6 802		7 402

Sensitivity

	2020 Change in assumption	2020 Change in Obligation	2019 Change in assumption	2019 Change in Obligation
Healthcare cost	+1%	+3.2%	+1%	+3.9%
	-1%	-3.0%	-1%	-3.6%
Mortality	+1%	-5.2%	+1%	-5.7%
	-1%	+5.7%	-1%	+6.3%

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practise this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Risks involved in maintaining the post employment healthcare obligation:

The risks faced by the Company as a result of the post-employment healthcare obligation can be summarised as follows:
1. Inflation: The risk that future healthcare cost inflation as well as CPI inflation are higher than expected and uncontrolled.
2. Longevity: The risk that beneficiaries live longer than expected and thus their healthcare benefit is payable for longer than expected.
3. Open-ended, long-term liability: The risk that the liability may be volatile in the future and uncertain.
4. Legislative changes: The risk that changes to legislation with respect to the post-employment benefits may increase the liability for the Company.
5. Future changes in the tax environment: The risk that changes in the tax legislation governing employee benefits may increase the liability for the Company.

All risks are managed through the employer's subsidy policy and are monitored through annual valuations of the liability.

21 Provisions

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Long term provisions				
Provision for service bonus				
Balance at the beginning of the year	7 148	6 944	7 148	6 944
Additions	1 428	797	1 428	797
Utilised during the year	(490)	(593)	(490)	(593)
Balance at the end of the year	8 086	7 148	8 086	7 148

Certain employees are entitled to long service bonuses if certain criteria are met. Provision is made for this eventuality.

Notes to the Financial Statements

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
22 Trade and other payables				
Financial Instruments:				
Trade creditors	498 269	354 366	208 263	155 307
Accrued bonus	11 826	18 371	6 569	11 311
Accrued leave pay	27 062	22 168	16 165	13 881
Other acrrued expenses	30 428	21 594	17 862	12 339
Other payables	24 200	24 908	21 749	21 493
Non-financial Instruments:				
Amounts received in advance	2 074	2 313	-	-
VAT	9 408	7 230	-	-
	603 267	450 950	270 608	214 331

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
23 Value of business conducted				
Brokerage services	2 786 615	3 118 614	2 500 419	3 118 614
Trading	1 761 822	1 757 600	1 765 262	1 757 600
Livestock and properties	3 654 548	4 023 201	1 062 376	961 148
Technology	21 000	15 703	-	-
Leasing of properties	6 306	6 586	3 281	3 479
Fruit	358 039	408 481	-	-
Grain	1 595 573	1 327 903	-	-
Sugar	882 555	737 727	-	-
Financing	34 257	32 852	27 487	26 390
	11 100 715	11 428 667	5 358 825	5 867 231

The value of business conducted represents the value of transactions for the Group as well as those conducted in its capacity as an agent/broker.

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
24 Revenue				
Revenue from contracts with customers				
Sale of goods	4 443 512	4 204 698	2 164 306	2 317 549
Rendering of services	233 391	208 755	164 827	146 829
Commissions received	274 714	315 386	136 111	154 876
Interest received	34 257	32 942	27 487	26 390
Rental income	6 306	6 718	3 281	3 479
	4 992 180	4 768 499	2 496 012	2 649 123
Disaggregation of revenue from contracts with customers				
Sale of goods				
Brokerage services	500 173	569 246	408 504	569 246
Trading	1 754 105	1 747 163	1 755 802	1 748 303
Technology	20 638	15 723	-	-
Fruit	351 965	408 388	-	-
Grain	934 075	725 740	-	-
Sugar	882 556	738 438	-	-
	4 443 512	4 204 698	2 164 306	2 317 549
Rendering of services				
Brokerage services	160 455	138 959	157 110	138 959
Trading	7 717	7 870	7 717	7 870
Technology	362	370	-	-
Fruit	6 074	93	-	-
Grain	58 783	61 463	-	-
	233 391	208 755	164 827	146 829

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
24 Revenue (continued)				
Commissions received				
Brokerage services	106 466	118 741	96 433	118 741
Livestock and properties	167 925	193 497	39 678	36 135
Grain	323	3 148	-	-
	274 714	315 386	136 111	154 876
Other revenue				
Interest received	34 257	32 942	27 487	26 390
Rental income	6 306	6 718	3 281	3 479
	40 563	39 660	30 768	29 869
Total revenue from contracts with customers	4 992 180	4 768 499	2 496 012	2 649 123
Timing of revenue recognition				
At a point in time				
Sale of goods	4 443 512	4 204 698	2 164 306	2 317 549
Commissions received	274 714	315 386	136 111	154 876
	4 718 226	4 520 084	2 300 417	2 472 425
Over time				
Rendering of services	233 391	208 755	164 827	146 829
Interest received	34 257	32 942	27 487	26 390
Rental income	6 306	6 718	3 281	3 479
	273 954	248 415	195 595	176 698
Total revenue from contracts with customers	4 992 180	4 768 499	2 496 012	2 649 123
25 Cost of sales				
Sales of goods	4 020 683	3 752 629	1 945 544	2 084 869
Sale of goods				
Brokerage services	453 666	502 445	365 048	502 995
Trading	1 578 799	1 580 734	1 580 496	1 581 874
Technology	13 080	8 419	-	-
Fruit	329 757	335 109	-	-
Grain	840 299	644 776	-	-
Sugar	805 082	681 146	-	-
	4 020 683	3 752 629	1 945 544	2 084 869
26 Other operating income				
Profit on sale of plant and equipment	2 780	-	-	-
Bad debts recovered	3 216	2 442	2 163	2 280
Cash discounts received	7 640	8 043	7 354	7 962
Foreign exchange gains	18 582	18 190	725	510
Other	10 599	18 176	6 778	8 612
	42 817	46 851	17 020	19 364

27 Operating profit/(loss)

Operating profit/(loss) for the year is stated after charging/(crediting) the following, amongst others:

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Auditor's remuneration - external	5 347	4 482	2 126	2 470
Approved audit fees	3 890	3 730	1 855	1 805
Adjustment for previous year	1 227	221	184	136
Tax and advisory services	230	531	87	529
Employee costs	467 476	428 162	252 037	236 839
Salaries, wages, bonuses and other benefits	414 040	379 246	231 895	220 829
Commission paid	30 543	27 158	6 946	4 792
Training and other expenses	13 609	12 631	8 294	7 456
Provision for service bonus	1 447	797	1 428	797
Retirement benefit plans: defined contribution expense	7 376	8 130	3 013	2 765
Retirement benefit plans: defined benefit expense				
Finance expense	616	692	616	692
Remeasurements	(155)	(492)	(155)	(492)

Expenses by nature

The total selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Discount allowed	57 998	44 074	24 221	12 002
Employee costs	467 476	428 162	252 037	236 839
Lease charges	17 739	22 182	3 902	6 581
Management fees	-	-	59 205	57 154
Depreciation and amortisation	41 092	34 639	20 843	15 338
Vehicle costs	40 515	41 832	26 530	27 286
Repairs and maintenance	30 266	26 962	16 905	14 780
Advertising expense	18 869	17 345	10 624	12 042
Auditors remuneration	5 117	3 951	2 039	1 941
Bank charges	14 382	19 562	9 867	12 974
Computer expenses	22 870	19 597	17 409	15 202
Subsistence and travel	11 787	13 136	6 069	8 308
Impairment of intangible assets	15 775	-	-	-
Impairment of financial assets	11 873	9 595	4 755	10 164
Impairment of financial assets - share transaction	-	115 215	-	115 215
Professional consulting fees	9 903	14 675	4 958	3 254
Professional consulting fees - share transaction	-	8 214	-	8 214
Water and electricity	12 138	10 089	9 811	8 062
Telephone and postage	11 078	10 212	6 074	6 020
Transport	78 909	81 830	3 344	2 675
Losses on products	8 072	8 908	6 602	7 264
Legal expenses	3 078	1 654	1 878	1 218
Legal expenses - share transaction	-	6 008	-	6 008
Insurance cost net of recoveries	7 411	8 538	(87)	293
Security	6 634	6 559	2 382	3 029
Non-executive directors' fees	3 317	2 850	3 317	2 850
Property tax	4 855	4 271	3 997	3 609
Loss on sale of plant and equipment	-	796	169	72
Foreign exchange losses	2 179	264	494	264
Other	64 629	57 195	47 788	35 127
	967 962	1 018 315	545 133	633 785
Less: Discount allowed set off against revenue	(57 998)	(44 074)	(24 221)	(12 002)
	909 964	974 241	520 912	621 783

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
28 Impairment of financial assets - share transaction				
Summary of expenses specifically incurred				
Impairment of financial assets	-	115 215	-	115 215
Professional consulting fees	-	8 214	-	8 214
Legal expenses	-	6 008	-	6 008
	-	129 437	-	129 437

During the prior year a number of events occurred involving the shareholding of a large shareholder, ARC Fund (ARC). ARC held 18 612 016 shares in BKB Ltd (20% of the issued shares). ARC informed BKB that it intended to dispose of its entire shareholding to a direct competitor of BKB which already had a sizeable holding of BKB shares.

In terms of the original subscription agreement with ARC, BKB held a right of first refusal over the shares. The board viewed ARC's decision, to dispose of it's entire shareholding to a competitor as a hostile act and contrary to ARC's stated intentions when it acquired its shares in BKB. The board decided to exercise the right of first refusal. It was the unanimous view of the Board that this was in the best long term interest of the Company and its stakeholders.

BKB nominated Maruwa Investments (Pty) Ltd ("Maruwa"), a black-owned investment management company, to acquire the ARC shareholding. In terms of the nomination agreement with Maruwa, BKB enjoyed certain refinancing rights and also a call option.

Developments in connection with Maruwa's long term financing arrangements resulted in BKB exercised its call option in June 2019. Shareholders were advised of this development in a notice dated 2 July 2019.

The net effect of the transactions was a write-off amounting to R115.2 million in respect of amounts receivable from Maruwa. This amount includes capital and interest.

The events and transactions involved lengthy arbitration proceedings, together with extensive input and assistance of legal advisors, counsel and corporate finance specialists. The combined legal and advisory fees in connection with these matters amounted to R14.2 million.

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
29 Finance income				
Investments in financial assets:				
Bank and other cash	3 236	6 858	1 053	1 782
Interest Maruwa - share transaction	-	11 847	-	11 847
Other financial assets	605	1 618	524	281
Loans to group companies:				
Subsidiaries	-	-	40 384	33 216
	3 841	20 323	41 961	47 126
30 Finance costs				
Interest paid	83 497	62 114	64 810	39 990
Interest paid leases	5 926	-	3 261	-
	89 423	62 114	68 071	39 990

Notes to the Financial Statements

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
31 Taxation				
Current				
Local income tax - current period	24 337	43 867	5 072	19 915
Local income tax - recognised in current tax for prior periods	-	3	-	3
STC	473	314	7	311
	24 810	44 184	5 079	20 229
Deferred				
Originating and reversing temporary differences	(14 610)	(21 736)	(552)	(20 396)
Arising from prior period adjustments	-	(46)	-	(2)
	(14 610)	(21 782)	(552)	(20 398)
	10 200	22 402	4 527	(169)
Reconciliation of the tax expense				
Accounting profit/(loss)	18 768	46 689	40 487	(5 129)
Tax at the applicable tax rate of 28% (2019: 28%)	5 255	13 073	11 336	(1 436)
Tax effect of adjustments on taxable income				
Under provision - prior year	(13)	3	-	3
Deferred taxation - prior year	(693)	(57)	-	(2)
Exempt income and allowable deductions	(2 212)	(2 238)	(7 502)	(7 859)
Expenses not deductible for tax purposes	2 655	11 605	1 517	10 162
Dividend tax not recovered	-	314	-	311
Securities transfer tax	473	-	7	-
Current tax recognised in other comprehensive income	(55)	-	-	-
Special income tax allowances	(1 100)	(2 062)	(851)	(1 408)
Income taxed at capital gains tax rate	141	309	20	60
Income taxed at different rate	70	707	-	-
Deferred tax asset not raised	(103)	(145)	-	-
Assessed loss derecognised	5 916	-	-	-
Recognition of assessed loss	(134)	-	-	-
Revaluation of property	-	893	-	-
	10 200	22 402	4 527	(169)
Estimated tax losses carried forward				
Estimated tax losses to be set off against future taxable profit	209 202	156 087	-	-

32 Earnings per share

The calculation of basic earnings per share is based on earnings attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue during the year.

	Group 2020	Group 2019	Company 2020	Company 2019
Basic earnings per share				
From operations (c per share)	19.4	28.7	-	-

Basic earnings per share was based on earnings of R15 303 000 (2019: R25 641 000) and a weighted average number of ordinary shares of 78 855 223 (2019: 89 423 935).

	Group 2020	Group 2019	Company 2020	Company 2019
Reconciliation of profit for the year to basic earnings				
Profit for the year attributable to equity holders of the parent	8 568	24 287	-	-
Adjusted for:			-	-
Non-controlling interest	6 735	1 354	-	-
	15 303	25 641	-	-

32 Earnings per share (continued)

The calculation of diluted earnings per share is based on the earnings attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue during the year, plus the weighted average number of dilutive potential shares resulting from share options.

	Group		Company	
	2020	**2019**	**2020**	**2019**
Diluted earnings per share				
From operations (c per share)	19.4	28.7	-	-

Diluted earnings per share was based on earnings of R15 303 000 (2019: R25 641 000) and a weighted average number of ordinary shares of 78 855 223 (2019: 89 423 935).

Reconciliation of basic earnings to diluted earnings				
Basic earnings (no adjustments)	15 303	25 641	-	-
Reconciliation of weighted average number of ordinary shares to diluted shares				
Weighted average number of ordinary shares used for basic earnings per share	78 855	89 424	-	-
Adjusted for:				
Bonus shares to be issued	-	-	-	-
	78 855	89 424	-	-

Headline earnings and diluted headline earnings per share

Headline earnings per share and diluted headline earnings per share are determined by dividing headline earnings and diluted headline earnings by the weighted average number of ordinary share outstanding during a period.

Headline earnings and diluted headline earnings are determined by adjusting basic earnings and diluted earnings by excluding separately identifiable re-measurement items. Headline earnings and diluted headline earnings are presented after tax and non-controlling interest.

	Group		Company	
	2020	**2019**	**2020**	**2019**
Headline earnings per share (c)	36.9	31.5	-	-
Diluted headline earnings per share (c)	36.9	31.5	-	-
Reconciliation between earnings and headline earnings				
Basic earnings	15 303	25 641	-	-
Adjusted for:				
Net (proft)/loss on sale of property, plant and equipment	(2 780)	796	-	-
Impairment of investment	-	1 990	-	-
Impairment of intangible assets	15 775	-	-	-
Tax effect of adjustments	778	(223)	-	-
	29 076	28 204	-	-
Reconciliation between diluted earnings and diluted headline earnings				
Diluted earnings	15 303	25 641	-	-
Adjusted for:				
Net loss/(profit) on sale of property, plant and equipment	(2 780)	796	-	-
Impairment of intangible assets	15 775	1 990	-	-
Tax effect of adjustments	778	(223)	-	-
	29 076	28 204	-	-

Notes to the Financial Statements

32 Earnings per share (continued)

Normalised earnings per share

Normalised earnings per share is one of the measurement bases which the Group uses in assessing performance and in deciding how to allocate resources. The calculation of normalised earnings per share is based on headline earnings generated from primary business operations of the Group excluding abnormal or non-recurring gains and losses, divided by weighted average number of ordinary shares in issue during the year. The presentation of normalised earnings per share is not an IFRS requirement and may not be directly comparable with the same or similar measures disclosed by other companies.

	Group		Company	
	2020	**2019**	**2020**	**2019**
Normalised earnings per share (c)	36.9	146.7	-	-
Reconciliation between headline earnings and normalised earnings				
Headline earnings	29 076	28 204	-	-
Adjusted for:				
Impairment of financial assets - share transaction	-	115 215	-	-
Legal and professional fees - share transaction	-	14 222	-	-
Tax effect of adjustments	-	(26 472)	-	-
	29 076	131 169	-	-
Dividends per share				
Final (c)	10.0	58.0	-	-

Dividends amounting to R9 million (2019: R54 million) were paid to shareholders of the Company who were registered on 30 August 2019.

	Group		Company	
	2020	**2019**	**2020**	**2019**
	R'000	**R'000**	**R'000**	**R'000**
33 Cash generated from/(used in) operations				
Profit/(loss) before taxation	18 768	46 689	40 487	(5 129)
Adjustments for:				
Depreciation and amortisation	65 872	51 898	20 843	15 338
Dividend income	-	-	(20 021)	(25 900)
Finance income	(3 841)	(20 323)	(41 961)	(47 126)
Finance costs	89 423	62 114	68 071	39 990
Fair value (gains)/losses	(21 936)	18 448	-	-
Credit loss allowance - IFRS 9 Retained earnings	-	(5 427)	-	(3 876)
Impairment of intangible assets	15 775	-	-	-
Impairment of financial assets - share transaction	-	115 215	-	115 215
(Decrease)/increase in impairment of financial assets	(1 861)	1 484	(457)	1 403
Movement in provision for obsolete stock	(506)	(431)	(293)	(934)
Movement in retirement benefit liability	(600)	(961)	(600)	(961)
Movement in provision for service bonus	938	204	938	204
(Profit)/loss on sale of property, plant and equipment	(2 780)	796	169	72
Changes in working capital				
Decrease/(increase) in inventories	96 476	(222 347)	(13 611)	(44 173)
Increase in current trade and other receivables	(109 364)	(57 565)	(95 967)	(31 773)
Increase/(decrease) in derivative financial instruments	972	(35 569)	285	-
(Decrease)/increase in cash flow hedge reserve	(14 106)	23 909	-	-
Increase/(decrease) in trade and other payables	152 317	16 099	56 277	(28 891)
	285 548	(5 767)	14 160	(16 541)

34 Tax paid

Balance receivable/(payable) at the beginning of the year	4 037	(3 880)	1 572	(5 119)
Charged to profit or loss	(24 810)	(44 184)	(5 079)	(20 229)
Balance receivable at the end of the year	(1 886)	(4 037)	(1 751)	(1 572)
	(22 659)	(52 101)	(5 258)	(26 920)

Notes to the Financial Statements

35 Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Group - 2020

	Borrowings	Other financial assets/ liabilities	Leases	Total share capital	Total
	R'000	R'000	R'000	R'000	R'000
Opening balance	856 082	74 461	-	102 720	1 033 263
Recognised on adoption of IFRS 16	-	-	62 007	-	62 007
Fair value changes	-	(21 936)	-	-	(21 936)
Acquisitions - leases	-	-	5 549	-	5 549
Cash flows - cash credit accounts	(60 000)	-	-	-	(60 000)
Cash flows	(1 900)	(26 669)	(7 836)	(63)	(36 468)
Closing balance	794 182	25 856	59 720	102 657	982 416

Reconciliation of liabilities arising from financing activities - Group - 2019

	Borrowings	Other financial assets/ liabilities	Leases	Total share capital	Total
	R'000	R'000	R'000	R'000	R'000
Opening balance	355 359	10 968	-	289 960	656 287
Fair value changes	-	18 448	-	-	18 448
Acquisitions - leases	67 918	-	-	-	67 918
Other non-cash movements	-	-	-	103 368	103 368
Cash flows - cash credit accounts	330 208	-	-	-	330 208
Cash flows	102 597	45 045	-	(290 608)	(142 966)
Closing balance	856 082	74 461	-	102 720	1 033 263

Reconciliation of liabilities arising from financing activities - Company - 2020

	Borrowings	Other financial assets/ liabilities	Leases	Total share capital	Total
	R'000	R'000	R'000	R'000	R'000
Opening balance	746 573	-	-	202 003	948 576
Recognised on adoption of IFRS 16	-	-	34 510	-	34 510
Acquisitions - leases	-	-	1 772	-	1 772
Cash flows - cash credit accounts	(60 000)	-	-	-	(60 000)
Cash flows	(10 143)	-	(1 385)	-	(11 528)
Closing balance	676 430	-	34 897	202 003	913 330

Reconciliation of liabilities arising from financing activities - Company - 2019

	Borrowings	Other financial assets/ liabilities	Leases	Total share capital	Total
	R'000	R'000	R'000	R'000	R'000
Opening balance	159 345	-	-	304 370	463 715
Other non-cash movements	-	-	-	183 284	183 284
Cash flows - cash credit accounts	480 207	-	-	-	480 207
Cash flows	107 021	-	-	(285 651)	(178 630)
Closing balance	746 573	-	-	202 003	948 576

Other changes include non-cash movements, including accrued interest expense which will be presented as operating cash flows in the statement of cash flows when paid.

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
36 Dividends paid				
Dividends	(7 886)	(52 282)	(8 841)	(53 975)

37 Business combinations

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Aggregated business combinations				
Property, plant and equipment	100	1 035	-	1 035
Client lists and relationships	1 500	4 011	-	4 011
Auction rights	-	5 152	-	5 152
Total identifiable net assets	1 600	10 198	-	10 198
Goodwill	-	4 500	-	4 500
	1 600	14 698	-	14 698
Net cash outflow on acquisition				
Cash consideration paid	(1 600)	(14 698)	-	(14 698)

Solomons & Crafford

On 1 March 2020 the Group acquired the business of Solomons & Crafford (excluding liabilities).

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Fair value of assets acquired and liabilities assumed				
Client lists and relationships	1 500	-	-	-
Property, plant and equipment	100	-	-	-
Total identifiable net assets	1 600	-	-	-
Goodwill	-	-	-	-
	1 600	-	-	-
Acquisition date fair value of consideration paid				
Cash	(1 600)	-	-	-

Riverview Trading

On 1 March 2019 the Company acquired the business of Riverview Trading (excluding any tangible assets and liabilities).

Goodwill of R4 500 000 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities, as well as from intangible assets which did not qualify for separate recognition. Goodwill is not deductible for income tax purposes.

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Fair value of assets acquired and liabilities assumed				
Client lists and relationships	-	4 011	-	4 011
Auction rights	-	1 950	-	1 950
Total identifiable net assets	-	5 961	-	5 961
Goodwill	-	4 500	-	4 500
	-	10 461	-	10 461
Acquisition date fair value of consideration paid				
Cash	-	(6 000)	-	(6 000)
Contingent consideration arrangement	-	(4 461)	-	(4 461)
	-	(10 461)	-	(10 461)

37 Business combinations (continued)

Contingent consideration arrangements

The contingent consideration arrangement requires the Group to pay the previous owners of Riverview Trading an amount of R4 000 000 which is conditional upon the business achieving the performance target for the first two years following the effective date. The first payment was paid 1 March 2020 and the second payment is due 1 March 2021, inclusive of interest at 7.5% per annum.

Slabbert, Verster & Malherbe (Cape) CC

On 1 December 2018 the Group acquired the business of Slabbert, Verster and Malherbe (Cape) CC excluding the property and liabilities.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Fair value of assets acquired and liabilities assumed				
Property, plant and equipment	-	1 035	-	1 035
Auction rights	-	3 202	-	3 202
	-	4 237	-	4 237
Acquisition date fair value of consideration paid				
Cash	-	(4 237)	-	(4 237)
	-	(4 237)	-	(4 237)

38 Contingencies

The Lesotho Revenue Authority, with whom South Africa has a double taxation agreement, raised income tax and value added tax assessments for BKB Limited in respect of income tax and value added tax for multiple years of assessment during 2019. The Company has consulted it's professional advisors and commenced the process to have the assessments declared void. The value added tax assessment has been resolved during 2020.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Contingent liabilities				
Guarantees issued	670	670	670	670

No losses are expected from these contingent liabilities.

39 Commitments

Authorised capital expenditure				
Not yet contracted for and authorised by directors	89 896	124 153	48 978	63 014

Capital expenditure will be financed by funds generated by the businesses, existing cash resources and borrowing facilities available to the Group and need appropriate support and justification before final approval.

Operating leases – as lessee (expense)

Minimum lease payments due				
- within one year	-	2 090	-	-
- in second to fifth year inclusive	-	3 293	-	-
- more than 5 years	-	-	-	-
	-	5 383	-	-

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable. These disclosures are no longer required in terms of IFRS 16.

Notes to the Financial Statements

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
40 Related parties				
Relationships				
Subsidiaries (refer to note 8)				
Related party balances				
Loan accounts - Owing by related parties				
Loans to key management	8 833	38 771	-	110
Amounts included in trade receivable/(trade payable) regarding related parties				
BKB Grainco (Pty) Ltd	-	-	-	296
Grainco (Pty) Ltd	-	-	(21)	203
BKBLouwid (Pty) Ltd	-	-	624	665
BKB Van Wyk (Pty) Ltd	-	-	462	526
BKB SHIFT (Pty) Ltd	-	-	(309)	-
Atlanta Sugar SA (Pty) Ltd	-	-	83	95
Atlanta Products (Pty) Ltd	-	-	99	21
AlphaAlfa (Pty) Ltd	-	-	374	92
Fruits du Sud (Pty) Ltd	-	-	292	216
RFID Africa Experts (Pty) Ltd	-	-	(61)	(28)
BKB Personnel Share Trust	-	-	102 768	133 565
Key management	678	1 668	678	1 668
Related party transactions				
Interest (received from)/paid to related parties				
Billsons Coutts (Pty) Ltd	-	-	(914)	(1 183)
The House of Fibre (Pty) Ltd	-	-	(1 130)	-
Home and Hectare (Pty) Ltd	-	-	607	414
BKBLouwid (Pty) Ltd	-	-	(752)	(2 366)
BKB Van Wyk (Pty) Ltd	-	-	684	-
BKB SHIFT (Pty) Ltd	-	-	(333)	-
Wool & Mohair Exchange of South Africa NPC	-	-	(567)	(620)
PaKHouse Brands (Pty) Ltd	-	-	(269)	-
Atlanta Sugar SA (Pty) Ltd	-	-	(301)	(2 716)
Grainco Group Holdings (Pty) Ltd	-	-	(10 149)	(8 533)
Fruits du Sud (Pty) Ltd	-	-	(26 103)	(15 428)
BKB Personnel Share Trust	-	-	(1 157)	(2 784)
Key management	(1 157)	(2 784)	-	-
Purchases from/(sales to) related parties				
The House of Fibre (Pty) Ltd	-	-	(38 269)	-
RFID Africa Experts (Pty) Ltd	-	-	419	2 610
Atlanta Sugar SA (Pty) Ltd	-	-	(453)	(712)
AlphaAlfa (Pty) Ltd	-	-	8 257	-
BKB Grainco (Pty) Ltd	-	-	-	(39)
Grainco (Pty) Ltd	-	-	22 057	21 315
Transactions with key management and directors	(8 758)	(8 730)	(8 758)	(8 730)
Rent paid to/(received from) related parties				
Billsons Coutts (Pty) Ltd	-	-	362	415
Home and Hectare (Pty) Ltd	-	-	(38)	(36)
BKBLouwid (Pty) Ltd	-	-	(301)	(205)
BKB Van Wyk (Pty) Ltd	-	-	(101)	(95)
Wool & Mohair Exchange of South Africa NPC	-	-	289	289

Notes to the Financial Statements

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
40 Related parties (continued)				
Services received from related parties				
The House of Fibre (Pty) Ltd	-	-	(3 449)	-
BKB SHIFT (Pty) Ltd	-	-	(698)	-
Management fees paid to/(received from) related parties				
BKB Shearing (Pty) Ltd	-	-	58 538	55 814
RFID Africa Experts (Pty) Ltd	-	-	667	1 340
Wool & Mohair Exchange of South Africa NPC	-	-	(300)	-
Dividends received from related parties				
Home and Hectare (Pty) Ltd	-	-	(19)	(1 210)
BKBLouwid (Pty) Ltd	-	-	(7 064)	(8 840)
BKB Van Wyk (Pty) Ltd	-	-	(4 502)	(6 654)
PaKHouse Brands (Pty) Ltd	-	-	(8 436)	(9 199)
Rebate fees received				
Home and Hectare (Pty) Ltd	-	-	(147)	(165)
Compensation to directors and other key management				
Short-term employee benefits	30 931	32 893	22 459	22 241
Termination benefits	892	-	892	-
Share-based payment	(4 837)	-	(3 965)	-
Non-executive directors fees and expenses reimbursed	3 503	3 086	3 503	3 086
	30 489	35 979	22 889	25 327

Notes to the Financial Statements

41 Directors' emoluments

2020

	Fees	Salary & employee benefits	Expense reimbursed	Termination benefit	Total
	R'000	R'000	R'000	R'000	R'000
J Stumpf	-	2 123	6	-	2 129
W Edmayr	-	3 550	-	892	4 442
AS du Toit	-	3 000	53	-	3 053
JA van Niekerk	-	500	-	-	500
DC Louw	700	-	43	-	743
GEJ Kingwill	371	-	49	-	420
PG Carshagen	230	-	8	-	238
CD Hobson	253	-	25	-	278
JF Janse van Rensburg	253	-	-	-	253
MH Jonas	230	-	4	-	234
EA Meyer	276	-	20	-	296
V Pillay	242	-	6	-	248
HC Staple	371	-	-	-	371
HJ Swart	276	-	24	-	300
FPR van Wyk	115	-	7	-	122
	3 317	9 173	245	892	13 627

2019

	Fees	Salary & employee benefits	Expense reimbursed	Termination benefit	Total
	R'000	R'000	R'000	R'000	R'000
W Edmayr	-	12 682	40	-	12 722
AS du Toit	-	4 441	-	-	4 441
DC Louw	660	-	85	-	745
GEJ Kingwill	350	-	47	-	397
CD Hobson	220	-	19	-	239
MH Jonas	200	-	-	-	200
EA Meyer	240	-	22	-	262
V Pillay	200	-	2	-	202
HC Staple	350	-	-	-	350
HJ Swart	240	-	41	-	281
FPR van Wyk	240	-	20	-	260
J van Zyl	150	-	-	-	150
	2 850	17 123	276	-	20 249

Service contracts

Wolf Edmayr retired as Managing Director on 31 December 2019. Johan Edmund Stumpf replaced Wolf Edmayr as Managing Director on 1 February 2020 and is appointed on a fixed term contract that will expire on 31 August 2025. Jan Abraham van Niekerk was permanently appointed as Financial Director on 1 May 2020. All non-executive directors get re-elected at the annual general meeting after their three year term has expired.

Executive directors are subject to written employment agreements. The employment agreements regulate duties, remuneration, allowances, restraints, leave and notice periods of these executives.

Notes to the Financial Statements

42 Financial instruments and risk management

42.1 Categories of financial instruments

Categories of financial assets

	Notes	Fair value through profit or loss	Amortised cost	Total
		R'000	R'000	R'000
Group - 2020				
Derivatives	12	13 381	-	13 381
Trade and other receivables	11	-	825 869	825 869
Cash and cash equivalents	14	-	75 139	75 139
Other financial assets	13	317	-	317
		13 698	901 008	914 706
Group - 2019				
Derivatives	12	8 484	-	8 484
Trade and other receivables	11	-	791 796	791 796
Cash and cash equivalents	14	-	57 187	57 187
Other financial assets	13	4 584	-	4 584
		13 068	848 983	862 051
Company - 2020				
Loans to group companies	7	-	407 091	407 091
Trade and other receivables	11	-	528 586	528 586
Cash and cash equivalents	14	-	47 227	47 227
		-	982 904	982 904
Company - 2019				
Loans to group companies	7	-	537 524	537 524
Trade and other receivables	11	-	460 225	460 225
Cash and cash equivalents	14	-	4 110	4 110
		-	1 001 859	1 001 859

Categories of financial liabilities

	Notes	Fair value through profit or loss	Amortised cost	Total
		R'000	R'000	R'000
Group - 2020				
Derivatives	12	5 869	-	5 869
Trade and other payables	22	-	591 785	591 785
Borrowings	18	-	794 182	794 182
Lease liabilities	3	-	59 720	59 720
Financial liabilities at fair value	19	26 173	-	26 173
Bank overdraft	14	-	72 569	72 569
		32 042	1 518 256	1 550 298
Group - 2019				
Trade and other payables	22	4 461	436 946	441 407
Borrowings	18	-	856 082	856 082
Financial liabilities at fair value	19	79 045	-	79 045
Bank overdraft	14	-	106 430	106 430
		83 506	1 399 458	1 482 964

Notes to the Financial Statements

42.1 Categories of financial instruments (continued)

	Notes	Fair value through profit or loss	Amortised cost	Total
		R'000	R'000	R'000
Company - 2020				
Derivatives	12	285	-	285
Trade and other payables	22	-	270 608	270 608
Loans from group companies	17	-	45 436	45 436
Borrowings	18	-	676 430	676 430
Lease liabilities	3	-	34 897	34 897
		285	1 027 371	1 027 656
Company - 2019				
Trade and other payables	22	4 461	209 870	214 331
Loans from group companies	17	-	8 798	8 798
Borrowings	18	-	746 573	746 573
Bank overdraft	14	-	17 301	17 301
		4 461	982 542	987 003

42.2 Capital risk management

The Group's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the Group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

The Group monitors capital utilising a number of measures, including the gearing ratio. The gearing ratio is calculated as net borrowings (total borrowings less cash) divided by shareholders' equity.

The capital structure and gearing ratio of the Group at the reporting date was as follows:

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Loans from group companies	-	-	45 436	8 798
Financial liabilities at fair value	26 173	79 045	-	-
Borrowings	794 182	856 082	676 430	746 573
Lease liabilities	59 720	-	34 897	-
Total borrowings	880 075	935 127	756 763	755 371
Cash and cash equivalents	(2 570)	49 243	(47 227)	13 191
Net borrowings	877 505	984 370	709 536	768 562
Equity	1 175 306	1 184 298	1 044 254	1 017 135
Debt/equity ratio	75%	83%	68%	76%

Notes to the Financial Statements

42.3 Financial risk management

Overview

The Group is exposed to the following risks from its use of financial instruments:
Credit risk;
Liquidity risk; and
Market risk (currency risk, interest rate risk and price risk).

The board has overall responsibility for the establishment and oversight of the Group's risk management framework. The board has established the Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports quarterly to the board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit and Risk Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular as well as some ad hoc reviews of risk management controls and procedures, the resuls of which are reported to the Audit and Risk Committee.

i. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group is exposed to credit risk on loans receivable, debt instruments at fair value through other comprehensive income, trade and other receivables, cash and cash equivalents, loan commitments and financial guarantees.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the Group through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default. When determining the risk of default, management consider information such as payment history to date, industry in which the customer is engaged, period for which the customer has been in business, external credit references etc. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable which do not contain a significant financing component are the exceptions and are discussed below.

42.3 Financial risk management (continued)

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

For trade receivables which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables.

The maximum exposure to credit risk is presented in the table below:	Notes	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Group - 2020				
Trade and other receivables	11	810 142	(13 905)	796 237
Cash and cash equivalents	14	75 139	-	75 139
		885 281	(13 905)	871 376
Group - 2019				
Trade and other receivables	11	784 268	(15 766)	768 502
Cash and cash equivalents	14	57 187	-	57 187
		841 455	(15 766)	825 689
Company - 2020				
Loans to group companies	7	412 394	(5 303)	407 091
Trade and other receivables	11	408 743	(6 656)	402 087
Cash and cash equivalents	14	47 227	-	47 227
		868 364	(11 959)	856 405
Company - 2019				
Loans to group companies	7	543 100	(5 576)	537 524
Trade and other receivables	11	313 589	(7 113)	306 476
Cash and cash equivalents	14	4 110	-	4 110
		860 799	(12 689)	848 110

Amounts are presented at amortised cost or fair value depending on the accounting treatment of the item presented. The gross carrying amount for debt instruments at fair value through other comprehensive income is equal to the fair value because the credit loss allowance does not reduce the carrying amount. The credit loss allowance is only shown for disclosure purposes. Debt instruments at fair value through profit or loss do not include a loss allowance. The fair value is therefore equal to the gross carrying amount.

ii. Liquidity risk

The Group is exposed to liquidity risk, which is the risk that the Group will encounter difficulties in meeting its obligations as they become due.

The Group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

The BKB Group has significant borrowings and credit facilities with The Land and Agricultural Bank of Southern Africa Limited (The Land Bank). Recent developments at The Land Bank including, inter-alia, apparent liquidity constraints and a ratings downgrade by Moody's, have been considered by the Executive Management and the Board of BKB. Steps have been taken to reduce the BKB Group's exposure to The Land Bank and mitigate possible future liquidity risks. Towards this end, secure facilities are in place with the Group's current commercial banks, which provide sufficient headroom for the foreseeable future without any further borrowings from The Land Bank. The directors have reported that the Group's cash and liquidity position remains sound (page 22). Negotiations with a number of banks, in respect of both pricing and providing a complete package of facilities, are at an advance stage and are expected to be concluded in the near future.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

Notes to the Financial Statements

42.3 Financial risk management (continued)

	Less than 1 year	2 to 5 years	> 5 years	Total
Group - 2020				
Trade and other payables	591 785	-	-	591 785
Borrowings	657 012	137 170	-	794 182
Financial liabilities at fair value	26 173	-	-	26 173
Lease liabilities	8 685	22 334	28 701	59 720
Bank overdraft	72 569	-	-	72 569
	1 356 224	159 504	28 701	1 544 429
Group - 2019				
Trade and other payables	441 407	-	-	441 407
Borrowings	693 949	162 133	-	856 082
Financial liabilities at fair value	79 045	-	-	79 045
Bank overdraft	106 430	-	-	106 430
	1 320 831	162 133	-	1 482 964
Company - 2020				
Derivatives	285	-	-	285
Trade and other payables	270 608	-	-	270 608
Loans from group companies	45 436	-	-	45 436
Borrowings	584 239	92 191	-	676 430
Lease liabilities	1 799	4 397	28 701	34 897
Bank overdraft	-	-	-	-
	902 367	96 588	28 701	1 027 656
Company - 2019				
Trade and other payables	214 331	-	-	214 331
Loans from group companies	8 798	-	-	8 798
Borrowings	640 413	106 160	-	746 573
Bank overdraft	17 301	-	-	17 301
	880 843	106 160	-	987 003

iii. Foreign currency risk

The Group is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the Group deals primarily is the US Dollar.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

Exposure in Rand

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
US Dollar exposure				
Trade and other receivables	45 065	53 169	-	-
Cash and cash equivalents	288	2 774	-	-
Net US Dollar exposure	45 353	55 943	-	-
Euro exposure				
Trade and other payables	(5 830)	-	-	-
Net Euro exposure	(5 830)	-	-	-

Notes to the Financial Statements

42.3 Financial risk management (continued)

The net carrying amounts, in foreign currency of the above exposure was as follows:

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
US Dollar exposure				
Trade and other receivables	2 592	3 785	-	-
Cash and cash equivalents	17	197	-	-
Net US Dollar exposure	2 609	3 982	-	-

	Group		Company	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Euro exposure				
Trade and other payables	(299)	-	-	-
Exchange rates				
Foreign currency per Rand				
US Dollar	17.39	14.05	-	-
Euro	19.50	-	-	-

Forward exchange contracts

Certain forward exchange contracts have been entered into for the purposes of managing foreign currency risk. The net market value of all forward exchange contracts at reporting date is calculated by comparing the forward exchange contracted rates to the equivalent market foreign exchange rates at reporting date.

	Note	Contract rate	Contract foreign currency amount
Group - 2020			
Exports			
Sell dollars - expiry 30 July 2020 to 21 May 2021	12	15.35 - 18.92	36 316 678
Group - 2019			
Exports			
Sell dollars - expiry 15 July 2019 to 30 December 2019	12	13.83 - 15.26	23 930 189

At year end open foreign currency options included a Put option held by AlphaAlfa (Pty) Ltd of USD1 850 000 (2019: USD2 137 500) and a Call option in favour of ABSA Bank Limited of USD3 700 000 (2019: USD4 275 000). The Put option has a strike rate of R16.60 and the Call option a strike rate of R19.20.

Foreign currency sensitivity analysis

The following information presents the sensitivity of the Group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group
At 30 June 2020, if the Rand/US Dollar exchange rate had been 5% (2019: 5%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been R1.8 million (2019: R2 million) higher and R1.8 million (2019: R2 million) lower.

At 30 June 2020, if the Rand/Euro exchange rate had been 5% (2019: 5%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been R209 865 lower and R209 865 higher.

Notes to the Financial Statements

42.3 Financial risk management (continued)

iv. Interest rate risk

Interest rate risk is the risk that the Group's financial position may be adversely affected as a result of changes in the market interest rate. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group's most significant interest bearing assets are its trade receivables, and cash and cash equivalents. The Group's most significant interest bearing liabilities are its loans with various financial institutions.

The Group manages its interest rate risk by negotiating the best possible interest rates with relevant financial institutions, and through borrowing funds at floating interest rates.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group

At 30 June 2020, if the prime lending rate had been 1% per annum higher or lower during the period, with all other variables held constant, profit or loss before tax for the year would have been R6.9 million (2019: R6.8 million) lower/higher and R6.9 million (2019: R6.8 million) higher/lower.

Company

At 30 June 2020, if the prime lending rate had been 1% per annum higher or lower during the period, with all other variables held constant, profit or loss before tax for the year would have been R1.3 million (2019: R565 540) higher and R1.3 million (2019: R565 540) lower.

v. Price risk

The Group does not use derivatives to manage operational exposures to price risks relating to changes in livestock and wool and mohair prices.

The subsidiaries involved in grain-related activities enter into forward sales and purchase contracts with their customers and suppliers, as well as stock on hand. These contracts carry market price risk when the price of the contract is fixed, as underlying commodity markets continues to fluctuate. This can have the effect that the subsidiaries would incur a loss or realise a gain depending on the movement in the market. The price risk is directly linked with the tonnage of the commodity determined in the contract with the suppliers and customers.

The grain operations manage the risk by taking out futures on the SAFEX market, thereby negating the net exposure to fluctuations in commodity prices.

The grain operations are fully hedged on the SAFEX market and changes in SAFEX fluctuation will not be significant.

43 Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.
Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Notes to the Financial Statements

43 Fair value information (continued)

Levels of fair value measurements

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Level 2				
Recurring fair value measurements				
Assets				
Investment property				
Residential property	1 517	1 517	1 517	1 517
Office buildings	34 011	34 011	-	-
Total investment property	35 528	35 528	1 517	1 517
Property, plant and equipment				
Trading branches	128 014	125 938	128 014	125 938
Office buildings and fibre warehouse	182 946	182 946	174 835	174 835
Shearing and auction facilities	18 443	18 443	17 393	17 393
Processing and packaging plant	122 048	115 671	-	-
Total property, plant and equipment	451 451	442 998	320 242	318 166
Financial assets at fair value through profit or loss				
Commodity contracts: Inventory - SAFEX	41 323	145 289	-	-
Open forward contracts	317	4 584	-	-
Total financial assets at fair value through profit or loss	41 640	149 873	-	-
Hedging derivatives				
Foreign exchange contracts	13 381	8 484	-	-
Liabilities				
Financial liabilities at fair value through profit or loss				
ABSA Bank Limited	24 595	75 913	-	-
Open forward contracts	1 578	3 132	-	-
Total financial liabilities at fair value through profit or loss	26 173	79 045	-	-
Hedging derivatives				
Foreign exchange contracts	5 869	-	285	-

Buildings which are currently classified as non-current assets held for sale have been recognised at fair value less costs to sell because the assets fair value less costs to sell is lower than its carrying amount.

Valuation techniques used to derive level 2 fair values

Trading branches, office buildings, shearing and auction facilities, processing and packaging plants

Level 2 fair values of trading branches, office buildings, shearing and auction facilities, processing and packaging plants have been generally derived using the yield method. The main Level 2 inputs used in this model are discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by Andrè Crouse Valuers based on comparable transactions and industry data.

No changes have been made to the valuation technique.

The most significant assumption used in the valuation of the properties was the capitalisation rate, which has been set out below for the various properties:

Capitalisation rate	
Trading branches	10% to 13%
Office buildings	10% to 11%
Shearing and auction facilities	11%
Processing and packaging plant	11% to 11.5%

43 Fair value information (continued)

The valuations of land and buildings situated at Portion 24 of Erf 455 Bloemsmond and Portion 24 of Erf 455 Bloemsmond, Gordonia, Vryburg were based on the depreciated replacement value method. A certain replacement cost is used as starting point and then reduced by physical depreciation, functional and economic obsolescence and possible buyers resistance. In the valuation process depreciation of property can be described as the deterioration of any of the attributes bestowed upon it by nature; its physical condition, its utility or purposeful use and that of any of its components contributing thereto, irrespective of the causes thereof.

Valuation processes applied by the Group

The Group engages external, independent and qualified valuers to estimate the fair value of the Group's investment properties and land and buildings at least every three years, except for rural properties at least every five years.

The Port Elizabeth office buildings and fibre warehouse was valued on 30 June 2020 by an independent valuer, Andre Crouse of Koelro No57CC t/a Andre Crouse, who is a member of the South African Council of Property Valuers Profession. No adjustment was required to the current value which the property is recognised at.

The Bethlehem property was valued on 30 June 2020 by an independent valuer, Andre Crouse of Koelro No57CC t/a Andre Crouse, who is

a member of the South African Council of Property Valuers Profession. The valuation was based on the capitalisation of income method.

As at 30 June 2019, the fair values of the land and buildings situated at Portion 24 of Erf 455 Bloemsmond and Portion 24 of Erf 455 Bloemsmond, Gordonia, Vryburg have been determined by Mr. TH Myburgh (Professional Valuer), of Equity Property Professionals with an effective valuation date of 28 May 2019.

As at 30 June 2019, the fair values of the land and buildings situated at Lot 497 and 500, Matsapha Industrial Estate, Eswatini have been determined by AM Ngwenya of Ngwenya Wonfor and Associates with an effective valuation date of 28 February 2019.

A directors' assessment was performed for trading branches, office buildings, shearing and auction facilities as well as processing and packaging plant which were not independently valued during the 2019 financial year. The last independent valuation of these land and buildings and investment properties were performed on 30 June 2018 by Mr. A Crouse (BCom(Hons), Dip Ind Eng (USA), Nat Dip Tech (Prod Eng)), a professional valuers.

The directors are of the opinion that the fair values as determined by the independent valuers during the last valuations performed, for properties listed above, represent the fair value of the investment properties and land and buildings.

44 Restatement of comparative figures

During the year management performed an assessment of production related expenditure in the grain and fruit companies. Outbound transport costs previously included under cost of sales were identified which were reclassified to administrative and other expenses. Salaries and wages relating to production staff was also identified which were reclassfied to cost of sales.

The effects of the reclassification are as follows and had no effect on profit or loss as previously reported.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Statements of Comprehensive Income and Profit and Loss (previously reported)				
Cost of Sales	-	(3 776 528)	-	-
Administrative and other expenses	-	(811 310)	-	-
Statements of Comprehensive Income and Profit and Loss (after reclassification)				
Cost of Sales	-	(3 752 629)	-	-
Administrative and other expenses	-	(835 209)	-	-

44 Restatement of comparative figures (continued)

Instalment sale agreements which were previously within the scope of IAS17 and diclosed as finance leases, are no longer considered leases and not in the scope of IFRS 16. Therefore instalment sales agreements previously reported seperately were consolidated into the borrowings figures.

The effects of the reclassification are as follows and had no effect on profit or loss as previously reported.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Statements of Financial position (previously reported)				
Borrowings	-	(769 784)	-	-
Finance lease liabilities	-	(86 298)	-	-
Statements of Financial position (after reclassification)				
Borrowings	-	(856 082)	-	-
Finance lease liabilities	-	-	-	-

45 Going concern

On 30 January 2020, the World Health Organisation declared the COVID-19 outbreak as a public health emergency of international concern. During March 2020, the South African Government declared a state of national disaster due to the pandemic. The nation-wide lockdown has had a severe impact on the local economy. The pandemic has had a significant impact on the global economy and those markets on which the Group depends for its revenues.

- Revenue and underlying profit: Whilst the Group remained open to trade as an essential service during the lockdown, the pandemic has had a negative impact on its revenue streams. The effects of the COVID-19 pandemic, particularly on the Group’s local and foreign markets, is being continuously monitored and assessed. Future revenue streams and costs are expected to be affected in both the short and medium term. Action plans are in place and have been implemented to minimize the impact of the pandemic on BKB’s operations. The COVID-19 effects on revenue and profit for the year under review are disclosed under the commentary to the annual financial statements.

- Impairment of assets: Lower profitability from operations which is influenced by the pandemic is a likely indicator of impairment. A valuation was performed on the Port Elizabeth office and fibre warehouse property with no indication of impairment.

  The Group measures expected credit loss (ECL) on trade debtors’ quantitative and qualitative information based on the Group’s historical experience, informed credit assessment on specific customers and/or industrial sectors and information available at the reporting date about current economic conditions and forecasts of future economic conditions. Due to the financial uncertainty arising from COVID-19, the Group has increased the relevant expected loss rates for trade receivables based on its judgement as to the impact of COVID-19 and the subdued economy on trade receivables. However, it must be noted that it is challenging to determine the full extent of the impact as Covid-19 and the ECL presented are subject to this uncertainty and could differ from the actual impairments incurred in the future.

- Interventions: Various immediate interventions were instituted following the pandemic. Cash flow was maximized through reducing working capital by R137 million as well as only allowing for essential capital expenditure. Further measures such as freezing salary increases and cutting non-essential costs resulted in expense savings.

While it is not possible to reliably estimate the duration of the pandemic and severity of its consequences, as well as the impact and financial position and results of the Group for future periods, based on the current information and forecasts, the Group’s cash and liquidity position remains sound.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

46 Events after the reporting period

The COVID-19 pandemic has developed very rapidly in 2020 and the spread of the disease has severely affected both the local and global economies. The measures taken by Government in South Africa and those countries where the BKB Group does business have had a negative effect on all business activity. The effects of this will continue to be felt by the Group. As mentioned elsewhere in the annual report the Group has taken action to mitigate the impact of the pandemic on its business, operations and its people. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of Government responses, remains uncertain at this time.

The Directors are not aware of any other material events occurring after the reporting date and up to the date of this report that would have a material impact on these annual financial statements.

Notes to the Financial Statements

47 New Standards and Interpretations

47.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date:	Expected impact:
IFRS 16 Leases	01-Jul-19	The impact of the standard is set out in Note 48.
IFRIC 23 Uncertainty over Income Tax Treatments	01-Jul-19	The amendment had no impact.
Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	01-Jul-19	The amendment had no material impact.

47.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2020:

Standard/ Interpretation:	Effective date:	Expected impact:
IAS 1 Presentation of Financial Statements: Disclosure initiative	01-Jan-20	Unlikely there will be a material impact
Accounting Policies, Changes in Accounting Estimates and Errors: Definition of material	01-Jan-20	Unlikely there will be a material impact

48 Changes in accounting policies

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

48.1 Application of IFRS 16 Leases

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

The Group has adopted IFRS 16 Leases retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in note 49.11.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 9.5%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- accounting for operating leases of assets with an underlying asset value of less than R100 000 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 determining whether an arrangement contains a lease.

Notes to the Financial Statements

48 Changes in accounting policies (continued)

48.1 Application of IFRS 16 Leases (continued)

Measurement of lease liabilities	Group 1 July 2019 R'000	Company 1 July 2019 R'000
Operating lease commitments disclosed as at 30 June 2019	5 383	-
Commitments at 30 June 2019 not disclosed in prior year financial statements	84 460	63 454
Discounted using the lessee's incremental borrowing rate	(41 615)	(35 346)
Less: short-term leases not recognised as a liability	(1 548)	(432)
Add: adjustments as a result of a different treatment of extension and termination options	15 328	6 835
Lease liability recognised as at 1 July 2019	62 007	34 510
Of which are:		
Current lease liabilities	8 472	1 540
Non-current lease liabilities	53 535	32 970
	62 007	34 510

Measurement of right-of-use assets

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

Adjustments recognised in the balance sheet on 1 July 2019

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

	Group 1 July 2019 R'000	Company 1 July 2019 R'000
● right-of-use assets – increase by	62 007	34 510
● lease liabilities – increase by	62 007	34 510

There was no impact on retained earnings at 1 July 2019 for the Group or Company.

Lessor accounting

The group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

48.2 Dividends received/paid classification

During the year management changed the accounting policy for classification of dividends in the statements of cash flows to be aligned with business activities and enhance the presentation of the information provided in the financial statements.

Dividends received from subsidiaries were classified as cash flows from operating activities. In accordance with the change in accounting policy, dividends received from subsidiaries are classified as cash flows from investing activities.

Dividends paid to shareholders were classified as cash flows from operating activities. In accordance with the change in accounting policy, dividends paid to shareholders are classified as cash flows from financing activities.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Statements of Cash flows (previously reported)				
Net cash from operating activities	-	(166 005)	-	(76 883)
Net cash from investing activities	-	(60 225)	-	(282 456)
Net cash from financing activities	-	(142 996)	-	(178 630)
Statements of Cash flows (after the change in accounting policy)				
Net cash from operating activities	-	(111 506)	-	(48 172)
Net cash from investing activities	-	(62 442)	-	(257 192)
Net cash from financing activities	-	(195 248)	-	(232 605)

Accounting Policies

49. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below.

49.1 Basis of preparation

The consolidated and separate annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements, and the Companies Act 71 of 2008 of South Africa, as amended.

The annual financial statements have been prepared on the historical cost convention, unless otherwise stated in the accounting policies. They are presented in thousands of Rand, which is the Group's and Company's functional currency.

These accounting policies are consistent with the previous period, except for the changes set out in Note 48.

49.2 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating-decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

The basis of segmental reporting has been set out in Note 1.

49.3 Consolidation

49.3.1 Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the Company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the Holding Company.

The Holding Company has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use of its power over the entity. They are deconsolidated from the date that control ceases.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal. Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group. All inter-company transactions, balances, and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of Changes in Equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the Company.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

49.3.2 Investments in subsidiaries in the separate financial statements

In the company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

49.3.3 Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Accounting Policies

49.3 Consolidation (continued)

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests in the acquiree are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS's.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If the fair value of the net assets acquired is in excess of the consideration paid then the gain is recognised directly in profit or loss.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

49.4 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

49.4.1 Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

i. Lease classification: IAS17 comparatives

During the prior year the Group was party to leasing arrangements, both as a lessee and as a lessor. The treatment of leasing transactions in the annual financial statements was mainly determined by whether the lease was considered an operating lease or a finance lease. In making this assessment, management considered the substance of the lease, as well as the legal form, and made a judgement about whether substantially all of the risks and rewards of ownership transferred. During the current year the Group adopted IFRS 16. The new standard no longer distinguishes between operating and finance leases.

ii. Lease term: IFRS 16

In determining the lease term, management considered all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

iii. Expected manner of realisation for deferred tax

Management have reviewed the investment property portfolio of the Group in order to determine the appropriate rate at which to measure deferred tax. Investment property is measured at fair value. The manner of recovery of the carrying amount, i.e. through use or sale, affects the determination of the deferred tax assets or liabilities. IFRS assumes that the carrying amount of investment property is recovered through sale rather than through continued use. Management considered the business model of the portfolio and concluded that the assumption is not rebutted and that the deferred taxation should be measured on the sale basis.

49.4 Significant judgements and sources of estimation uncertainty (continued)

iv. Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact upon the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be affected.

49.4.2 Key sources of estimation uncertainty

i. Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

ii. Allowance for slow moving, damaged and obsolete inventory

Management assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Where an impairment is necessary, inventory items are written down to net realisable value. The write down is included in profit or loss.

In the Company an allowance is recognised against slow moving trade inventory at reporting date. Seasonal trade inventory older than twelve months is provided for at 15%. All other trade inventory older than twelve months is provided for at 25%. All trade inventory older than 24 months is provided for at 50%.

iii. Fair value estimation

Several assets and liabilities of the Group are either measured at fair value or disclosure is made of their fair values.

Observable market data is used as inputs to the extent that it is available. Qualified external valuers are consulted for the determination of appropriate valuation techniques and inputs.

Information about the specific techniques and inputs of the various assets and liabilities are disclosed in Note 43.

iv. Impairment testing

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determines the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

v. Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on Group replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of property, plant and equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

49.5 Investment property

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise and the cost of the investment property can be measured reliably.

Accounting Policies

49.5 Investment property (continued)

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Investment property in the Group comprises an office building and residential properties which are held for long-term rental yields and are not occupied by the Group. Investment property is carried at fair value, representing open market value determined on an annual basis by the board of directors.

Fair value is based on active market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. Valuations are conducted triennially by an independent valuer, except for residential properties in rural areas. Changes in fair values are recorded in profit or loss.

49.6 Property, plant and equipment

Property, plant and equipment are tangible assets which the Group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major maintenance and services, additions to or replacements of parts of property, plant and equipment is capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Day to day maintenance costs are included in profit or loss in the year in which they are incurred.

Land and buildings comprise offices, warehouses, industrial, residential and trading branch buildings. Property values are reviewed on an annual basis by the directors. Offices, warehouses and industrial buildings are valued triennially by an external, independent valuer and included in the financial statements at the fair value less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Revaluations of land and buildings are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year. Land and buildings are valued every three years by an independent valuer, except for land and buildings situated in rural areas which are valued every five years.

Land and buildings are subsequently stated at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any increase in carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation reserve in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in carrying amount, as a result of a revaluation, is recognised in profit or loss in the current year. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve in equity.

The revaluation reserve related to a specific item of land and buildings is transferred directly to retained income when the asset is derecognised.

Depreciation of an asset commences when the asset is available for use. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Depreciation method**	**Average useful life**
Land and buildings	Straight line	50 years
Plant and machinery	Straight line	5 - 20 years
Furniture and fixtures	Straight line	5 - 10 years
Motor vehicles	Straight line	4 - 5 years
Office equipment	Straight line	5 - 10 years
IT equipment	Straight line	3 - 5 years

Accounting Policies

49.6 Property, plant and equipment (continued)

The residual value, useful life and depreciation method of each asset is reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. The directors consider the current values of properties to approximate their residual values.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

49.7 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset

arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	**Useful life**
Patents, trademarks and other rights	5 - 20 years
Brand names	5 - 20 years
Computer software, other	2 - 8 years
Client lists and relationships	5 - 20 years

49.8 Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

The financial instruments held by the Group, based on their specific classifications is set out in Note 42 Financial instruments and risk management.

Accounting Policies

49.8 Financial instruments (continued)

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

49.8.1 Loans receivable at amortised cost

i. Classification

Loans to group companies (Note 7), loans to directors, managers and employees (Note 40), and loans receivable (Note 11) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on these loans.

ii. Recognition and measurement

Loans receivable are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

iii. Application of the effective interest method

Interest income is calculated using the effective interest method and is included in profit or loss in finance income (Note 29).

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

iv. Impairment

The Group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, that is whether or not there has been a significant increase in credit risk since initial recognition, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

v. Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

An impairment loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in impairment on financial assets in profit or loss as a movement in credit loss allowance (Note 27).

49.8 Financial instruments (continued)

49.8.2 Trade and other receivables

i. Classification

Trade and other receivables, excluding VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (Note 11). Trade and other receivables comprise trade debtors, advances and finance arrangements.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

ii. Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

iii. Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method and is included in revenue from contracts with customers (Note 24).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

iv. Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables is determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating income (Note 26).

Details of foreign currency risk exposure and the management thereof are provided under financial instruments and risk management Note 42.

v. Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

vi. Measurement and recognition of expected credit losses

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in Note 11.

49.8 Financial instruments (continued)

An impairment loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in impairment on financial assets in profit or loss as a movement in credit loss allowance (Note 27).

49.8.3 Borrowings and loans from related parties

i. Classification

Loans from group companies (Note 17) and borrowings (Note 18) are classified as financial liabilities subsequently measured at amortised cost.

ii. Recognition and measurement

Borrowings and loans from related parties are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (Note 30).

Borrowings expose the Group to liquidity risk and interest rate risk. Refer to Note 42 for details of risk exposure and management thereof.

iii. Loans denominated in foreign currencies

When borrowings are denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating income (Note 26).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the financial instruments and risk management Note 42.

49.8.4 Trade and other payables

i. Classification

Trade and other payables (Note 22), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost. Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers.

ii. Recognition and measurement

They are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (Note 30).

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to Note 42 for details of risk exposure and management thereof.

49.8 Financial instruments (continued)

49.8.5 Financial liabilities at fair value through profit or loss

i. Classification

Financial liabilities which are held for trading are classified as financial liabilities measured at fair value through profit or loss. Refer to Note 42.

Financial liabilities which are held for trading, consisting of foreign exchange contracts and open positions on the South African Futures Exchange (SAFEX), are initially measured at fair value on contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

When a financial liability is contingent consideration in a business combination, the Group classifies it as a financial liability at fair value through profit or loss. Refer to Note 42.

ii. Recognition and measurement

Financial liabilities at fair value through profit or loss are recognised when the Group becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

For financial liabilities designated at fair value through profit or loss, the portion of fair value adjustments which are attributable to changes in the group's own credit risk, are recognised in other comprehensive income and accumulated in equity in the reserve for valuation of liabilities, rather than in profit or loss. However, if this treatment would create or enlarge an accounting mismatch in profit or loss, then that portion is also recognised in profit or loss.

Interest paid on financial liabilities at fair value through profit or loss is included in finance costs (Note 30).

iii. Financial liabilities denominated in foreign currencies

When a financial liability at fair value through profit or loss is denominated in a foreign currency, the fair value of the instrument is determined in the foreign currency. The fair value is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised as part of the fair value adjustment in profit or loss. To the extent that the foreign exchange gain or loss relates to the portion of the fair value adjustment recognised in other comprehensive income, that portion of foreign exchange gain or loss is included in the fair value adjustment recognised in other comprehensive income.

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management Note 42.

49.8.6 Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

49.8.7 Bank overdrafts

Bank overdrafts are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

49.8.8 Derecognition

i. Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

ii. Financial liabilities

The Group derecognises financial liabilities when the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Accounting Policies

49.8 Financial instruments (continued)

49.8.9 Reclassification

i. Financial assets

The Group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

ii. Financial liabilities

Financial liabilities are not reclassified.

49.8.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterpart.

49.8.11 Hedge accounting

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

i. Cash flow hedges

The effective portion of changes in the fair value of qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss in other operating gains (losses).

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of property, plant and equipment. Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Accounting Policies

49.9 Tax

49.9.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

49.9.2 Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

49.9.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

49.10 Leases: IFRS 16

The Group leases offices, warehouses, retail stores, equipment and forklifts. Rental contracts are typically made for fixed periods of six months to thirty years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of property for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see note 49.11 for details. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Accounting Policies

49.10 Leases: IFRS 16 (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

49.11 Leases: IAS 17 comparatives

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

49.11.1 Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the company's incremental borrowing rate.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

49.11.2 Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

49.11.3 Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

49.12 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of wholesale inventories is stated at the actual cost of purchase of such inventories, or net realisable value, if lower. The cost of

manufactured inventories are as follows:

- Raw Materials: Actual cost determined on a first-in-first-out basis.
- Finished Goods and Work-in-progress: Raw materials, direct labour, other direct costs and related production overheads (based on normal capacity).

Trading stock is generally determined on a weighted average basis and includes transportation and handling charges.

Grain inventories held in terms of brokerage transactions are measured at fair value at period end, based on the prevailing mark-to-market price of the specific inventory item as determined by SAFEX. The fair value of SAFEX commodity grain inventories is calculated based on SAFEX rates, less location differential, less grade discount and premiums at year end. The fair value of non-SAFEX commodity grain inventories is calculated based on willing buyer / willing prices seller at year end.

When inventories are sold the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

49.13 Impairment of assets

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, at the end of each financial year the Group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.
- tests goodwill acquired in a business combination for impairment.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment as defined by paragraph 5 of IFRS 8 Operating Segments before aggregation.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss on assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Accounting Policies

49.14 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity. Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity.

Shares issued at below fair value to conclude BEE transactions, where control over the counterparty was not present, are accounted for in profit or loss at the difference between the fair value of the shares and the issue price. A BEE reserve, included in non-distributable reserves, is credited in the statement of financial position.

If the Group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those treasury shares is deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any consideration paid or received shall be recognised directly in equity.

Shares held by the BKB Personnel Share Trust are deducted from equity attributable to the Group's equity holders on consolidation until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Group's equity holders.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

49.15 Share based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

The Group operates a choice-settled, share-based compensation plan. The arrangement provides employees with the choice of cash settlement or receipt of equity instruments. The components are recorded, as a cash-settled share-based payment transaction to the extent that a liability to settle in cash has been incurred, or as an equity-settled share-based payment transaction to the extent that no such liability has been incurred.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value can be estimated reliably.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

49.16 Employee benefits

49.16.1 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

49.16.2 Defined contribution plans

The Group provides retirement and income protection benefits through a defined contribution plan for all of its permanent employees. The plan is administered separately from the Group and is governed by the Pension Funds Act.

A defined contribution plan is a pension plan into which the Group pays fixed contributions into a separate entity (a Fund) and will have no legal or constructive obligations to pay further contributions if the fund does not have sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Accounting Policies

49.16 Employee benefits (continued)

49.16.3 Defined benefit plans

BKB Limited provides post-retirement medical benefits to certain retired employees.

The post-retirement medical liability is valued annually by independent, qualified actuaries. The liability is determined by discounting the future benefits payable at interest rates of government bonds with approximately the same maturity dates as the medical liability.

The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Re-measurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the year in which they arise.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

49.17 Provisions and contingencies

Provisions are recognised when:
- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 38.

49.18 Government grants

Government grants are recognised when there is reasonable assurance that:
- the Group will comply with the conditions attaching to them; and
- the grants will be received.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position as a reduction of the carrying amount of the asset, which results in reduced depreciation expense.

49.19 Revenue from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods and services provided in the normal course of business, net of trade discounts, volume rebates and value added tax.

Revenue from contracts with customers is measured based on the consideration specified in a contract and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

49.19 Revenue from contracts with customers (continued)

The Group recognises revenue from the following major sources:
- Sale of goods - wholesale (Brokerage, Fruit, Grain and Sugar)
- Sale of goods - retail (Trading)
- Rendering of services (Brokerage services, Trading and Grain)
- Commission received (Brokerage, Livestock auctioneering, property transactions and Grain)

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

49.19.1 Sale of goods - wholesale

For sales of goods to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location. Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. No element of financing is deemed present as the sales are made in terms of credit terms, which are consistent with market practice.

Sale of wholesale goods comprises:
- Sale of processed maize and related products
- Margin on grain and related commodities
- Sale of manufactured lucerne and hay products
- Sale of surplus grain, upgradings and downgradings
- Packaging, marketing and sale of raisins
- Sale of sugar and related products
- Sale of wool and mohair

49.19.2 Sale of goods - retail

The Group sells goods directly to customers through its own retail outlets. Revenue is recognised at a point in time for sales of goods.

For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods, or based on credit terms negotiated for account holding customers. A receivable is recognised for account holding customers. No financing element is recognised as the payment terms are less than 6 months.

49.19.3 Rendering of services

Income is recognised at an amount that reflects the consideration to which the Group expects to become entitled for providing services to a customer. Income is measured based on the consideration specified in the contract with the customer and excludes amounts collected on behalf of third parties. The Group recognises income as the service is provided to a customer.

Rendering of services comprises:
- Handling, pressing and storage of wool and mohair
- Handling and storage of grain
- Shearing of animals

49.19.4 Commission received

Commission income is recognised at an amount that reflects the consideration to which the Group expects to become entitled for providing services to a customer. Income is measured based on the consideration specified in the contract with the customer and excludes amounts collected on behalf of third parties. The Group recognises income as the service is provided to a customer.

Commission received comprises:
- Commission on brokerage of wool and mohair
- Commission on sale of livestock and agricultural products
- Commission on sale of residential (urban and rural), commercial and farm properties

49.19.5 Rental income

Rental income is recognised on a straight-line basis over the period of the lease.

Accounting Policies

49.19 Revenue from contracts with customers (continued)

49.19.6 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. Interest received from debtors is included in revenue.

49.20 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related costs of providing services recognised as revenue in the current period is included in cost of sales. Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

Cost of sales is reduced by the amount recognised in inventory as a "right to return goods asset" which represents the Group right to recover products from customers where customers exercise their right of return under the Group returns policy.

49.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

49.22 Translation of foreign currencies

49.22.1 Foreign currency transactions

A foreign currency transaction is recorded on initial recognition in Rands by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.